

/Translation from Lithuanian/

/Coat of Arms of the Republic of Lithuania/

SECURITIES COMMISSION OF THE REPUBLIC OF LITHUANIA

CERTIFICATE OF THE SECURITIES PROSPECTUS

10 June 2010 No. 4R-10
Vilnius

Following provisions of Article 42.1(3) of the Law of the Republic of Lithuania on Securities, the Securities Commission of the Republic of Lithuania by its meeting decision No. 2K-121 (minutes No. 6K-15) of 10 June 2010 approved the prospectus of the share issue of **Šiaulių Bankas AB** (company code 112025254, registered address Tilžės g. 146, Šiauliai, Republic of Lithuania) (24,500,000 shares, the nominal value of one share is LTL 1, the total nominal value is LTL 24,500,000, the price for the issue of one share is LTL 1.04) in order to include the shares into the Official Trading List of NASDAQ QMX Vilnius AB.

The approval of the prospectus certifies that the information it contains meets the rules for information submission established by Commission Regulation (EC) No. 809/2004 of 29 April 2004, the Law of the Republic of Lithuania on Securities (2007, No. X-1023) and other legal acts.

The approval of the prospectus does not ensure correctness of the information it contains and cannot be considered as the recommendation of the Securities Commission for investors.

Deputy Chairman of the Commission

/Signature/

Vaidas Cibas

/Seal: Securities Commission, Republic of Lithuania



**PROSPECTUS OF THE SHARE ISSUE
INTENDED FOR THE LISTING OF THE BANK'S
SHARE ISSUE AMOUNTING TO LTL 24,500,000 IN A
REGULATED MARKET**

Šiauliai, 2010

Table of contents

I. SUMMARY	2
II. SECURITIES NOTE	14
1. PERSONS RESPONSIBLE.....	14
2. RISK FACTORS	14
3. KEY INFORMATION	14
4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING	17
5. TERMS AND CONDITIONS OF THE OFFER	24
6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS	25
7. SELLING SECURITIES HOLDERS.....	26
8. EXPENSES OF THE ISSUER/OFFER	26
9. DILUTION	26
10. ADDITIONAL INFORMATION.....	26
III. SHARES REGISTRATION DOCUMENT	27
1. PERSONS RESPONSIBLE	27
2. STATUTORY AUDITORS	27
3. SELECTED FINANCIAL INFORMATION	27
4. RISK FACTORS.....	28
5. INFORMATION ABOUT THE ISSUER	31
6. BUSINESS OVERVIEW	35
7. ORGANISATIONAL STRUCTURE.....	44
8. PROPERTY, PLANTS AND EQUIPMENT	44
9. OPERATING AND FINANCIAL REVIEW	45
10. CAPITAL RESOURCES	48
11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES	49
12. TREND INFORMATION	49
13. PROFIT FORECASTS OR ESTIMATES	50
14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT.....	50
15. REMUNERATION AND BENEFITS	53
16. BOARD PRACTICES	55
17. EMPLOYEES.....	55
18. MAJOR SHAREHOLDERS	56
19. RELATED PARTY TRANSACTIONS	57
20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND LOSSES.....	59
21. ADDITIONAL INFORMATION.....	78
22. MATERIAL CONTRACTS	85
23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST	85
24. DOCUMENTS ON DISPLAY	85
25. INFORMATION ON HOLDINGS	85

I. SUMMARY

THIS SUMMARY IS TO AND SHOULD BE READ AS AN INTRODUCTION TO THE PROSPECTUS. WHEN MAKING A DECISION OF INVESTING IN THE BANK'S SHARES, INVESTORS SHOULD FAMILIARISE THEMSELVES WITH THE WHOLE PROSPECTUS ON THE SECURITIES.

SHOULD AN INVESTOR FILE A CLAIM IN COURT WITH REGARD TO THE INFORMATION PROVIDED IN THE PROSPECTUS, THE CLAIMANT MAY HAVE TO COVER EXPENSES PERTAINING TO THE TRANSLATION OF THE PROSPECTUS PRIOR TO THE BEGINNING OF LEGAL PROCEEDINGS IN ACCORDANCE WITH THE NATIONAL LEGAL ACTS OF THE MEMBER STATES.

CIVIL LIABILITY FOR THE INFORMATION PROVIDED IN THE SUMMARY (INCLUDING A TRANSLATION HEREOF) SHALL BE APPLIED TO THE PERSONS WHO PREPARED THE SUMMARY; HOWEVER, ONLY IN CASE WHEN THE DATA OF THE SUMMARY ARE MISLEADING, INCORRECT OR CONTRADICTIVE COMPARED TO OTHER PARTS OF THE PROSPECTUS.

INVESTMENTS IN SECURITIES ARE RELATED TO CERTAIN RISK FACTORS. THEREFORE, THE SECURITIES OFFERED SHOULD BE ACQUIRED BY THOSE INVESTORS WHO HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE TO MAKE A MEANINGFUL EVALUATION OF THE RISKS RELATED TO THE ISSUER'S ACTIVITY AND ITS SECURITIES. THE MAIN RISK FACTORS LINKED TO THE ISSUER ARE SPECIFIED IN CLAUSE 4 OF PART III OF THIS PROSPECTUS. THE MAIN RISK FACTORS LINKED TO THE SECURITIES ARE SPECIFIED IN CLAUSE 2 OF PART II OF THIS PROSPECTUS.

THE PROSPECTUS OF THE SHARE ISSUE CONTAINS REFERENCES TO THE AUDIT REPORTS OF ŠIAULIŲ BANKAS AB FOR THE FINANCIAL YEARS 2007, 2008 AND 2009, AND EXPLANATORY NOTES ON THE FINANCIAL STATEMENTS FOR THESE PERIODS AS WELL AS ON THE FINANCIAL REPORT FOR QUARTER I OF 2010. THESE DOCUMENTS SHALL BE CONSIDERED AS AN INTEGRAL PART OF THE PROSPECTUS OF THE SHARE ISSUE. THE DOCUMENTS ON THE BASIS OF WHICH THIS PROSPECTUS HAS BEEN PREPARED AS WELL AS THE PROSPECTUS ITSELF WILL BE AVAILABLE FOR REVIEW AT THE TREASURY DEPARTMENT OF ŠIAULIŲ BANKAS AB (AT THE FOLLOWING ADDRESS: TILŽĖS ST. 149, ŠIAULIAI) ON WORKDAYS FROM 7:30 TO 16:30 AS WELL AS ON THE WEBSITE OF THE BANK AT THE FOLLOWING ADDRESS: WWW.SB.LT. THE FINANCIAL REPORTS ARE AVAILABLE FOR REVIEW ON THE WEBSITE OF THE BANK AT THE FOLLOWING ADDRESS: WWW.SB.LT AS WELL AS ON THE WEBSITE OF THE CENTRAL STORAGE FACILITY AT THE FOLLOWING ADDRESS: WWW.CRIB.LT.

I.1. Persons who prepared the Prospectus and are responsible for the information provided therein:

Representatives of Šiaulių Bankas:

Donatas Savickas, Deputy Head of the Administration of Šiaulių Bankas AB, phone: (8-41) 595-602, fax: (8-41) 430-774;

Vita Adomaitytė, Chief Accountant of Šiaulių Bankas AB, Head of the Accounting and Accountability Division, phone: (8-41) 595-606, fax: (8-41) 430-774;

Pranas Gedgaudas, Director of the Treasury Department of Šiaulių Bankas AB; phone: (41) 595 653, fax: (41) 595 687;

Jolanta Dobiliauskienė, Head of the Securities Accounting Department of Šiaulių Bankas AB, phone: (8-41) 595-669, fax: (8-41) 595-687.

I.2. The auditors who have performed the auditing of the financial reports presented in the Prospectus:

The auditing of Šiaulių Bankas AB for 2007-2009 has been performed by PricewaterhouseCoopers UAB. Company address: J. Jasinskio St. 16B, LT-01112 Vilnius, phone: (8-5) 2392-300, fax: (8-5) 2392-301. The company was registered on 29 December 1993, No: UĮ 93-369, company code: 111473315.

The independent auditing has been performed by the following auditors:

2007 – Christopher C. Butler, Membership No. 7986452 (The Institute of Chartered Accountants in England and Wales) and Rasa Radzevičienė, Auditor's Certificate No. 000377.

2008-2009 – Christopher C. Butler, Membership No. 7986452 (The Institute of Chartered Accountants in England and Wales) and Rimvydas Jogėla, Auditor's Certificate No. 000457.

No services of any advisers, consultants or intermediaries were used for the preparation of this Prospectus.

Contact information:

Jolanta Dobiliauskienė, phone: (8-41) 595-669, fax: (8-41) 595-687.

I.3. Key information on the Issuer

Name of the Issuer:	Public Limited Liability Company Šiaulių Bankas (Šiaulių Bankas AB)
Authorised capital:	LTL 180,357,533
Domicile:	Tilžės St. 149, LT-76348 Šiauliai
Telephones:	(8-41) 522117, 595669, 595653
Fax:	(8-41) 430774
E-mail:	info@sb.lt
Website:	www.sb.lt
Legal and organisational form:	Public limited liability company; legal entity of private limited civil liability
Registrar:	State Enterprise Centre of Registers
Registration date:	4 February 1992
Latest amendments to the Articles of Association were registered on	14 May 2008
Company code:	112025254
Period of activity:	Unlimited

I.4. Key statistical information on the proposal as well as character and objective thereof, and the intended use of the funds

Name of the issued securities:	Ordinary registered shares of Šiaulių Bankas AB
Number	24,500,000 units
Nominal value per unit	LTL 1
Total nominal value	LTL 24,500,000
Issue price	LTL 1.04
Total issue price	LTL 25,480,000
Beginning of the distribution of shares	20 May 2010
Period of the distribution of shares	12 working days from the beginning of the distribution
Method of the distribution of shares	This Prospectus has been prepared for the purpose of having the distributed shares listed in regulated markets. The share issue has been redeemed by the following persons: the European Bank for Reconstruction and Development, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Sigitas Baguckas, Kastytis Jonas Vyšniauskas, Vigintas Butkus, and Vytautas Junevičius. The shares have been paid in cash. A part of the convertible loan received under the Agreement dated 14 October 2009 has been used for the payment for the shares of the EBRD.
Secondary trading	AB NASDAQ OMX VILNIUS, Official Trading

Use of proceeds

List.

The authorised capital is being increased in order to consolidate the capital base of the Bank for the regular activity of the Bank in order to take advantage of the opportunities for the financing of large-scale promising projects.

I.5. Risk factors

Key risk factors linked to the proposed acquisition of the securities

Market risk. The price of the shares in the secondary market might increase or fall depending on the dynamics of supply and demand, interest rates that prevail in the market, the overall economic situation as well as inflation. Investors who purchase and/or sell securities in the secondary market are therefore to assume this risk.

Share liquidity risk. The shares of the Bank are included in the Official Trading List of AB NASDAQ OMX Vilnius and are traded every working day. However, the liquidity risk remains always: if the investor wishes to sell the securities held, the investor might incur losses due to the price which would be offered in the secondary market, or face a situation where the shares held are impossible to sell due to the limited demand.

Inflation risk. If inflation grows, there emerges a risk that the value of the shares might decrease, i.e. the increase in the value of the shares might fail to be in line with the inflation level. This risk, however, equals to the risk of investing in other financial instruments.

Dividend payment risk. Dividends on shares can be paid only out from the profit of the Bank. Since the activity result of the Bank has been negative during the recent 2 years, the shareholders are exposed to the risk of non-receiving yearly dividends on the shares held.

Risk of deterioration of the Issuer's credit rating means the risk of a decrease in the demand for and/or price of the shares in the event of a worsened financial situation and/or deteriorated credit rating of the Bank.

Ratings assigned to Šiaulių Bankas AB by international rating agencies

Ratings assigned by the international rating agency Moody's:

Long-term credit rating	Ba3
Short-term credit rating	NP
Financial strength rating	D-
Outlook	negative

The Agency reasons such ratings by the exposure of the profitability and quality of the assets of the Bank to the recession.

Tax-related and legal risk means the risk of a change in [the attractiveness] of the shares issued by the Bank to the investors or a separate group thereof in the event of changes in legal acts or state tax policy resulting in a decrease in the liquidity and/or price of the securities.

Key risk factors linked to the Issuer

Specific risk of the Bank means the risk of a possible failure to fulfil the obligations of the parties upon maturity. The Bank analyses the levels of credit risk to be assumed, establishes certain limits of credit risk to a borrower, a group of borrowers, or certain segments of an industry. This risk is regularly monitored and controlled, and reviews of the assumed credit risk are conducted once a year or more frequently. The key operational risks of the Bank include credit risk, market risk (that of interest rates, currency exchange rates, prices of equity securities, etc.), liquidity risk and operating risk.

Credit risk means the risk of a possible failure to settle by a party to a transaction in accordance with the procedure established in the agreement. Credit risk is one of the most important risks for banks because it might cause significant loss. Credit risk is managed by carrying out a thorough risk analysis prior to issuing credits and through monitoring after they are issued, by analysing and controlling concentration risk, setting credit limits appropriate for the

credit risk and controlling their observance. The stages of the credit risk management process are approved by the Board of the Bank in the Credit Risk Management Procedures.

The part of the Bank's loans and provisions are presented in the table below (thousand LTL):

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Loans extended to clients	1,547,807	1,685,809	1,681,337	1,645,917	1,621,958
Provisions for a decrease in the value of loans	7,170	11,268	15,528	40,282	38,674
Net value of the loan extended to clients	1,540,637	1,674,541	1,665,809	1,605,635	1,583,284
Special provisions/Loan portfolio	0.46 %	0.67 %	0.92 %	2.45 %	2.38 %
Depreciated loans	34,586	44,036	40,104	141,513	132,444
Amount of security measures	27,657	44,473	29,445	112,827	103,152
Part of depreciated loans of extended loans, %	2.23	2.61	2.39	8.60	8.17

Financial market risk means the risk for the Bank to incur losses due to unfavourable fluctuations in market variables (interest rates, currency exchange rates, prices of equity securities etc). The interest rate risk is the most significant one. The currency exchange rate risk of the Issuer is not significant because open currency positions are not remarkable. The equity securities price risk is not significant either due to a small portfolio of equity securities. The market risk is to be limited by establishing and controlling limits.

Risk of the Issuer's liquidity means the risk for the Bank to fail to timely fulfil its financial obligations and the risk of incurring losses due to rapidly decreasing financial resources and increase in the price of the new funds intended for covering the decrease in resources. The risk of the Bank's liquidity is to be managed by forecasting everyday and short-term (up to 1 year) cash flows and by analysing long-term ones. The liquidity risk is to be limited by establishing and controlling limits.

Risk of deterioration of the Issuer's credit and ratings. The Investor in the Bank's shares assumes the risk of possible decrease in the demand for and/or price of shares of the Bank in the event of the deterioration of the financial condition and/or decrease in the ratings of the Bank.

Operating risk means the risk of incurring direct or indirect losses due to improper or ineffective internal processes, systems, technologies, actions of employees and external factors. The purpose of the management of the operating risk of the Bank is to clearly define the operating risk, to reduce it to an acceptable level, and to use the results of the analysis of the operating risk for the implementation of the risk minimisation process, i.e. to abandon ineffective measures, to implement new measures and to maintain the existing operating risk management measures.

Legal risk means the risk of incurring losses due to the non-exercise of the current and previous rights of the Bank arising from agreements and other arrangements, cases or laws. The institutions regulating the activities of the Bank have broad authorisations to impose restrictions on the types of the Bank's activities, to establish the amounts of legal reserves, to change the classification of assets, etc. Any amendments to these rules may remarkably affect the activities of the Bank or its competitors.

There are no factors of social or environmental risk that might directly cause any risk to the activities of the Bank.

Technical and technological factors include tear and obsolescence of long-term assets, problems of standardisation, etc. The risk of this type affects indirectly: modern banking technologies require costs for the acquisition and upgrading of buildings, equipment and other property of the Bank. This reduces the profit of the Bank.

I.6. Fulfilment of the requirements limiting the risk of the Bank

The capital adequacy requirement means the ratio of the Bank's capital and risk-weighted assets and off-balance sheet liabilities expressed in per cent. This ratio must be not lower than 8 per cent.

Capital adequacy ratios:

Capital adequacy ratio (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	15.07	15.08	16.44	13.90	12.87
Group	14.62	15.21	15.94	13.90	13.01

The liquidity ratio is a ratio of liquid assets and current liabilities. A resolution of the Bank of Lithuania stipulates that this ratio may not be lower than 30 per cent.

Liquidity ratio (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	44.03	38.75	39.45	38.23	39.68
Group	39.46	32.14	31.88	34.61	39.21

Total open position in foreign currency. A resolution of the Bank of Lithuania stipulates that the maximum total open position in foreign currency may not exceed 25 per cent of a bank's capital and the maximum open position in one foreign currency may not exceed 15 per cent of a bank's capital calculated in accordance with the Capital Adequacy Regulation.

Total open position in foreign currency, (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	1.40	0.41	0.33	0.31	1.43
Group	1.32	1.26	1.42	0.31	1.43

The maximum exposure to a single borrower is the total value of loans, guarantees, securities and liabilities in litas and other currency (it may not exceed 25 per cent of the Bank's capital). The amount of loans granted by the Bank to its parent enterprise, other subsidiaries of the parent enterprise or own subsidiaries of the Bank may not exceed 75 per cent of the Bank's capital for each borrower if the Bank of Lithuania carries out consolidated supervision of the Financial Group as a whole. If the Bank of Lithuania does not carry out consolidated supervision of the Financial Group as a whole, the loan amount granted by the Bank to the said enterprises may not exceed 20 per cent of the Bank's capital.

The requirement for the maximum exposure to a single borrower is presented in the table below:

Maximum exposure to a single borrower (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	13.29	21.30	24.39	24.56	24.19
Financial Group	13.88	21.12	24.23	24.38	24.00

The total amount of large exposures granted by the Bank must not exceed 800 per cent of the Bank's capital.

The requirement for large exposures is presented in the table below:

The requirement for large exposures (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	156.99	166.20	171.86	198.85	233.03
Financial Group	115.98	111.86	120.36	152.08	184.91

I.7. Essential financial information

The key indicators of the Bank:

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Assets, LTL thousand	2,013,146	2,049,685	2,027,340	2,059,270	2,124,651
Shareholders' equity, LTL thousand	269,617	282,881	284,069	254,037	249,683
Net profit, LTL thousand	27,248	17,525	1,129	(30,114)	(6,900)
Return on average assets – ROAA, %	1.62	0.86	0.22*	(1.47)	(1.32)*
Return on average equity – ROAE, %	12.92	6.34	1.59*	,(11.22)	(10.96)*
Cost-to-income ratio, %	47.11	55.59	45.83	75.71	90.33
Interest margin, %	2.32	2.10	1.62	1.34	0.91
Profit per share, LTL	0.18	0.10	0.01	(0.17)	(0.04)

* - The indicators have been recalculated into yearly ones because this objectively reflects the situation and eliminates single deviations.

- ROAA is calculated as a ratio of profit and average assets;
- ROAE is calculated as a ratio of profit and average equity;
- Interest margin is a ratio of the net interest income and average assets;
- Profit per share is calculated by dividing the net profit of the period and the weighted mean of the number of ordinary shares issued within the period concerned;
- Cost-to-income ratio is calculated by dividing the operational expenditure, depreciation and profit (loss) of the main activity and other income of the Bank and deducting expenditure of the Bank.

The key indicators of the Group:

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Assets, LTL thousand	2,051,563	2,079,574	2,049,764	2,073,798	2,126,517
Shareholders' equity, LTL thousand	289,206	289,657	287,750	254,184	248,436
Net profit, LTL thousand	26,461	15,782	(2,145)	(35,551)	(8,125)
Return on average assets – ROAA, %	1.42	0.65	(0.41)*	(1.71)	(1.55)*
Return on average equity – ROAE, %	10.93	4.64	(2.95)*	(12.96)	(12.93)*
Cost-to-income ratio, %	49.94	59.27	56.87	78.42	94.25
Interest margin, %	2.65	2.32	1.68	1.41	1.06
Profit per share, LTL	0.19	0.07	(0.01)	(0.20)	(0.05)

* - The indicators have been recalculated into yearly ones because this objectively reflects the situation and eliminates single deviations.

The main incomes of the Bank are presented in the table below (thousand LTL):

Type of income	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Income from interest	94,570	134,457	35,855	140,474	29,434
Income from services and commissions	14,840	15,221	3162	12,935	2,669
Net profit from changes in the exchange rate	3,444	2,571	614	2,402	466

The main incomes of the Group are presented in the table below (thousand LTL):

Type of income	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Income from interest	101,348	140,234	37,404	142,800	30,321
Income from services and commissions	14,438	14,887	3,068	12,620	2,618
Net profit from changes in the exchange rate	3,435	2,582	614	2,402	466

I.8. Information on the Issuer and activities thereof

History

On 4 February 1992, Šiaulių Bankas was granted a licence which enables the Bank to provide licensed financial services stipulated in the Law of the Republic of Lithuania on Banks except for trade in precious metals. Since the beginning of its activity in the city of Šiauliai, the Bank has expanded in the North West Lithuania and currently has 51 area offices in 31 cities of the country and services its clients across the whole Lithuania.

Šiaulių Bankas has established 5 subsidiaries: Šiaulių Banko Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Turto Fondas UAB, SBTf UAB and Minera UAB.

Authorised Capital. The Bank's authorised capital amounts to LTL 180,357,533. The Articles of Association and its authorised capital were registered in the State Enterprise Centre of Registers on 14 May 2008. The authorised capital is divided into 180,357,533 ordinary registered shares. The par value of one share is LTL 1. The total nominal value of all issued shares is LTL 180,357,533. All shares are paid.

Business review. Šiaulių Bankas AB is engaged in commercial banking activities (economic activity type code 65.12.10). Lending is the most important direction of the activity of the Bank. The Bank extends short-term loans, credit lines, overdrafts and long-term loans from its own funds and from the funds of the European Bank for Reconstruction and Development, the World Bank and the Council of Europe Development Bank as well as from the funds of the European Union under the PHARE Programme. Šiaulių Bankas cooperates with the Central Project Management Agency and the Lithuanian Environmental Investment Fund and provides lending for the renewal of buildings and engineering infrastructure of urbanised areas or projects improving environmental protection. The Bank cooperates with the Ministry of Economy contributing to the Economy Stimulus Plan. The Bank has signed cooperation agreements with Investicijų ir Verslo Garantijos UAB (INVEGA) regarding the extension of guarantees for loans taken for the modernisation of multi-apartment buildings and an agreement with the European Investment Fund (EIF) for the lending of Lithuanian small- and medium-sized enterprises.

The Bank also provides all basic retail banking services: accepts term and accumulative deposits, payments for various utility and communication services, buys and sells foreign currencies, travel cheques, performs money transfers, etc., issues credit cards, debit cards, installs and services ATMs, performs settlement transactions with payment documents (cheques, letters of credit, bonds, etc.), intermediates in money transfers (interbank ones and of travel cheques), provides investment services, develops internet banking services, accepts valuables of clients for the storage in the Bank, and rents cells in the Bank's storage to clients for the storage of valuables and documents.

Organisational structure. The Bank together with its subsidiaries comprises the Group. The Bank does not participate in any other outside group. The table below specifies the share of the Bank in the Group's subsidiaries as of 31 March 2010:

Name of the enterprise	Share of the authorised capital of the enterprise owned by the Bank, per cent
Šiaulių Banko Lizingas UAB	100.00
Šiaulių Banko Investicijų Valdymas UAB	100.00
Šiaulių Banko Turto Fondas UAB	100.00
SBTF UAB	100.00
Minera UAB	100.00

Assets owned by the Bank and the adequacy thereof, thousand LTL

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Assets	2,013,146	2,049,685	2,027,340	2,059,270	2,124,651
Loans extended to clients	1,540,637	1,674,541	1,665,809	1,605,635	1,583,284
Investments in securities	187,428	169,088	166,322	215,272	311,522
Amounts payable to clients (deposits)	1,216,942	1,259,755	1,328,122	1,528,840	1,591,342
Shareholders' equity	269,617	282,881	284,069	254,037	249,683
Earning assets, %	87.60	92.62	91.94	90.32	91.51

Assets owned by the Group and the adequacy thereof, thousand LTL

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Assets	2,051,563	2,079,574	2,049,764	2,073,798	2,126,517
Loans extended to clients	1,387,434	1,490,014	1,472,041	1,434,328	1,400,860
Investments in securities	207,509	190,561	199,440	235,371	335,288
Amounts payable to clients (deposits)	1,217,008	1,259,750	1,328,111	1,528,824	1,591,286
Shareholders' equity	280,577	289,657	287,750	254,184	248,436
Earning assets, %	78.66	88.90	88.82	86.61	87.80

I.9. Trends and outlook for the economic activity and financial status of the Issuer

The Bank and the Group continue to base their activity on the principle of economic efficiency. Growth in capital, expansion of the controlled loan market share, sales promotion and attraction of new clients, development of modern banking products and improvement of existing ones, enhancement of client servicing quality, promotion of brand awareness, and optimisation of the efficiency of divisions will remain the main accent of the activity. The Bank will continue the development of cooperation with small- and medium-sized businesses.

I.10. Executives and employees

[Supervisory] Council of the Bank

- **Arvydas Salda**, Chairman of the Supervisory Council. Consultant of Šiaulių Banko Turto Fondas UAB. Member of the Supervisory Council of Šiaulių Bankas AB since 1991 (Chairman of the Supervisory Council since 1999).
- **Sigitas Baguckas**, Procurist of Namų Statyba UAB. Deputy Chairman of the Supervisory Council of Šiaulių Bankas AB since 2000; Member of the Supervisory Council since 1991.
- **Gintaras Kateiva**, Chairman of the Board and General Director of UAB LITAGRA; General Advisor to LYTAGROS MAŽMENA UAB. Member of the Supervisory Council of Šiaulių Bankas AB since 2008.
- **Kastytis Jonas Vyšniauskas**, Chairman of the Board of Sulinkiai UAB. Member of the Supervisory Council of Šiaulių Bankas AB since 1996.
- **Vigintas Butkus**, Director of Mintaka UAB; Director of Prekybos Namai Aiva UAB. Member of the Supervisory Council of Šiaulių Bankas AB since 2004.
- **Vytautas Junevičius**, General Director of Alita AB. Member of the Supervisory Council of Šiaulių Bankas AB since 2006.

- **Michael Anthony Hesketh**, Principal Banker of the European Bank for Reconstruction and Development (EBRD). Member of the Supervisory Council of TBC Bankas (Georgia). Member of the Supervisory Council of Šiaulių Bankas AB since 2010.

The Board of the Bank and Members of the Administration

Algirdas Butkus, Chairman of the Board, Head of the Administration since 1999 (Chairman of the Council of the Bank in 1992-1999).

Donatas Savickas, Member of the Board since 1995, Deputy Head of the Administration, Head of the Finance and Credit Division.

Vita Adomaitytė, Member of the Board since 2002, Chief Accountant, Head of the Accounting and Accountability Division.

Jonas Bartkus, Member of the Board since 2005, Deputy Head of the Administration, Head of the Business Development Division.

Daiva Kiburienė, Member of the Board since 2005, Deputy Head of Administration, Head of the Business and Retail Banking Division.

Employees of the Bank

As of 31 December 2009, the number of employees of Šiaulių Bankas amounted to 475 including 71 per cent of those who had higher education, 17 per cent had advanced vocational education, 7 per cent had secondary education (including 32 per cent out of the latter being trained for higher education), and 7 per cent had special secondary education. Compared to 2008, the headcount of the Bank decreased by 9 per cent which was preconditioned by the optimisation of the servicing network of the Bank and closure of ineffectively functioning divisions. As of 31 December 2009, the Group of AB Šiaulių Bankas employed 530 people.

I.11. Information on holders of shareholdings and transactions with related parties

The shareholders of the Bank who owned more than 5 per cent of the authorised capital of the Bank as of 31 March 2010 are as follows:

<i>No.</i>	<i>Shareholder</i>	<i>Number of owned shares, units</i>	<i>Part of the owned authorised capital, per cent</i>	<i>Part of owned voting rights, per cent</i>	<i>Part of voting rights possessed together with related persons, per cent</i>
1.	The European Bank for Reconstruction and Development (EBRD); address: One Exchange Square, London, Great Britain	28,965,344	16.06	16.06	41.35
2.	Gintaras Kateiva	12,760,214	7.07	7.07	41.35
3.	SLEZVB UAB; address: Vilniaus St. 167, Šiauliai	9,473,847	5.25	4.38	4.38

Sixteen shareholders of Šiaulių Bankas, i.e. the European Bank for Reconstruction and Development, Prekybos Namai Aiva UAB, Mintaka UAB, Alita Group of Companies, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė, and Donatas Savickas form a group which has the permission of the Bank of Lithuania to acquire a qualifying holding of the authorised capital and voting rights of the Bank amounting to and exceeding 50 per cent. As of 31 December 2009, this group held 40.08 per cent of the authorised capital and voting rights of the Bank; the relevant number as of 31 March 2010 was 41.35 per cent.

During 2009 and Quarter I of 2010, there were transactions concluded with related parties. The related parties of the Bank include members of the Supervisory Council and the Board of the Bank, shareholders acting jointly according to the Shareholders' Agreement, close family members of the aforementioned related parties as well as the Bank's subsidiaries and enterprises controlled by these related parties or jointly controlled by them, or enterprises in which these related persons have significant influence. All transactions were concluded under regular market conditions. A comprehensive description of all the transactions is presented in the Explanatory Note to the Consolidated Financial Statements for 2009 and in the Financial Reports for Quarter I of 2010 of Šiaulių Bankas AB.

I.12. Financial information

The financial statements of the Bank for 2007, 2008 and 2009 (Clause 20 of Part III of the Prospectus) are drawn up pursuant to the International Financial Accounting Standards. All annual reports have been audited. The audit has not been performed on the interim financial statements as of 31 March 2010.

I.13. Description of the offering and listing of the securities

This Prospectus has been prepared for the purpose of listing in a regulated market of the issue of 24,500,000 shares of the Bank issued on 18 May 2010 by a decision of the General Meeting of Shareholders of Šiaulių Bankas AB.

Upon registration of the amendments to the Articles of Association of the Bank in the Register of Enterprises, the Bank's total share issue account will be increased, entries will be made in personal securities accounts of shareholders, and shares will be admitted for trading in AB NASDAQ OMX Vilnius Stock Exchange.

The planned costs of the issue amount to approximately LTL 14,000. This amount will be paid from the Bank's expenses.

II. SECURITIES NOTE

Prepared in accordance with Annex III of the Commission Regulation (EC) No 809/2004

1. PERSONS RESPONSIBLE

Donatas Savickas, Deputy Head of the Administration of Šiaulių Bankas AB, phone: (8-41) 595-602, fax: (8-41) 430-774;

Vita Adomaitytė, Chief Accountant of Šiaulių Bankas AB, Head of the Accounting and Accountability Division, phone: (8-41) 595-606, fax: (8-41) 430-774;

Pranas Gedgaudas, Director of the Treasury Department of Šiaulių Bankas AB; phone: (41) 595 653, fax: (41) 595 687;

Jolanta Dobiliauskiėnė, Head of the Securities Accounting Department of Šiaulių Bankas AB, phone: (8-41) 595-669, fax: (8-41) 595-687.

1.2. The persons responsible for the Securities Prospectus declare that, having taken all reasonable care to ensure that such is the case the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Deputy Head of the Administration

Donatas Savickas

Chief Accountant,
Head of the Accounting and Accountability Division

Vita Adomaitytė

Director of the Treasury Department

Pranas Gedgaudas

Head of the Securities Accounting Department

Jolanta Dobiliauskiėnė

2. RISK FACTORS

Key risk factors linked to the proposed acquisition of the securities

Market risk. The price of the shares in the secondary market might increase or fall depending on the dynamics of supply and demand, interest rates that prevail in the market, the overall economic situation as well as inflation. Investors who purchase and/or sell securities in the secondary market are therefore to assume this risk.

Share liquidity risk. The shares of the Bank are included in the Official Trading List of AB NASDAQ OMX Vilnius and are traded every working day. However, the liquidity risk remains always: if the investor wishes to sell the securities held, the investor might incur losses due to the price which would be offered in the secondary market, or face a situation where the shares held are impossible to sell due to the limited demand.

Inflation risk. If inflation grows, there emerges a risk that the value of the shares might decrease, i.e. the increase in the value of the shares might fail to be in line with the inflation level. This risk, however, equals to the risk of investing in other financial instruments.

Dividend payment risk. Dividends on shares can be paid only out from the profit of the Bank. Since the activity result of the Bank has been negative during the recent 2 years, the shareholders are exposed to the risk of non-receiving yearly dividends on the shares held.

Risk of deterioration of the Issuer's credit rating means the risk of a decrease in the demand for and/or price of the shares in the event of a worsened financial situation and/or deteriorated credit rating of the Bank.

Ratings assigned to Šiaulių Bankas AB by international rating agencies

Ratings assigned by the international rating agency Moody's:

Long-term credit rating	Ba3
Short-term credit rating	NP
Financial strength rating	D-
Outlook	negative

The Agency reasons such ratings by the exposure of the profitability and quality of the assets of the Bank to the recession.

Long-term credit ratings

Ba. Banks rated Ba for deposits offer questionable credit quality. Often the ability of these banks to meet punctually deposit obligations may be uncertain and therefore not well safeguarded in the future.

Short-term credit ratings

NP. Banks rated Not Prime for deposits offer questionable to poor credit quality and an uncertain capacity for timely payment of short-term deposit obligations.

Bank financial strength ratings

Banks rated **D** display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

Tax-related and legal risk means the risk of a change in [the attractiveness] of the shares issued by the Bank to the investors or separate group thereof in the event of changes in legal acts or state tax policy resulting in a decrease in the liquidity and/or price of the securities.

3. KEY INFORMATION

Statement regarding the working capital

The Bank performs prospective activity analysis, calculates and evaluates expected cash flows, risk, and possibilities. Therefore, the Bank declares that it has sufficient funds for the satisfaction of the existing requirements.

Capitalisation and indebtedness

Data as of 31 March 2010 are provided: thousand LTL

	31/03/2010
Total current debt:	1,604,685
Guaranteed	-
Secured by assets	-
Non-guaranteed/non-secured	1,604,685
Total long-term debt (except for the part of the long-term debt for the current year)	270,283
Guaranteed	-
Secured by assets	-
Non-guaranteed/non-secured	270,283
Shareholders' equity	
a) share capital	180,358
b) legal reserve	6,422
c) other reserves	62,903
Total:	249,683

Information on the total indebtedness in short and medium term: thousand LTL

A.	Cash	35,915
B	Money equivalents	118,125
C	Traded securities	47,357
D	Liquidity (A)+(B)+(C)	201,397
E	Short-term receivable financial assets	792,461
F	Short-term debt to the Bank	20,361
G	Part of the long-term debt of the current year	-
H	Other short-term financial debt	1,584,324
I	Short-term financial debt (F)+(G)+(H)	1,604,685
J	Net short-term financial indebtedness (I)-(E)-(D)	610,827
K	Long-term loans of the Bank	80,701
L	Bonds issued	4,210
M	Other long-term loans	185,373
N	Long-term financial indebtedness (K)+(L)+(M)	270,284
O	Net financial indebtedness (J)+(N)	881,111

As of 31 March 2010, the shareholders' equity of the Bank amounted to LTL 249,683 thousand, and its liabilities amounted to LTL 1,874,968 thousand.

The Bank borrows monetary funds without pledging/mortgaging its assets for repayment security with the exception of the cases of pledging securities of the Republic of Lithuania when additional limits are received for interbank market transactions exceeding the limits established by lender banks for Šiaulių Bankas.

As of 31 March 2010, the structure of the Bank's indebtedness of LTL 1,874,968 thousand was as follows:

- deposits: 84.87 per cent;
- indebtedness to other banks and financial institutions: 13.31 per cent;
- debt securities issued: 0.22 per cent;
- other indebtedness, reserves and liabilities: 1.60 per cent.

Interests of natural and legal entities related to the issue (offering)

There are no interests of natural and legal entities related to the issue.

Reasons for the offering and use of proceeds

The authorised capital is being increased in order to consolidate the capital base of the Bank for the regular activity of the Bank in order to take advantage of the opportunities for the financing of large-scale promising projects. Upon distribution of the issue, the Bank's capital will increase by LTL 25.48 million.

4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING

4.1. An issue of 24,500,000 million ordinary registered shares has been made. The issue has been distributed among 8 shareholders of the Bank.

The nominal value of one share is LTL 1. The price of the share issue is LTL 1.04. The shares have been distributed under the same ISIN code as all other shares issued by the Bank: LT0000102253.

4.2. Underlying legislation of the securities:

These securities are being issued on the grounds of the legal acts of the Republic of Lithuania: the Constitution of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Law on Securities of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, Commission Regulation (EC) No 809/2004, resolutions of the Government of the Republic of Lithuania and other subordinate legislation of the Republic of Lithuania, the Articles of Association of Šiaulių Bankas AB.

Upon registration of the amendments to the Articles of Association related to the increase in the capital and upon entering the shares in personal securities accounts, the shares will be admitted to AB NASDAQ OMX Vilnius Stock Exchange.

4.3. The shares to be issued are ordinary registered uncertified ones. The ownership of the shares shall be recorded by entries in securities accounts. The Bank is the manager of the accounts. The shareholders are entitled to choose a securities intermediary with whom the acquired shares of the Bank would be accounted.

4.4. Currency of the issue of securities

The currency of the issue shall be litas.

4.5. Rights granted by the securities

The Bank's shares of this shall grant equal rights to their holders as well as the previously issued shares issued. All shares of the Bank grant equal rights to their holders. One share shall grant one vote.

The Bank's shareholders shall have the following property rights:

- to receive a part of the Bank's profit (dividend);
- to receive a part of the assets of the Bank in liquidation;
- to receive a part of the shares without payment when the authorised capital is increased from the funds of the Bank, with the exception of the cases stipulated by laws;
- when the shareholder is a natural entity, to bequeath all or part of the shares to one or several other persons;
- to sell or transfer otherwise all or part of the shares to the ownership of other persons in accordance with the procedure and on the conditions stipulated by laws;
- to have the pre-emption right in acquiring newly issued shares or convertible debentures of the Bank except in case when the General Meeting of Shareholders decides, in accordance with the procedure stipulated by laws, to withdraw this right for all shareholders;
- to lend money to the Bank in the manners stipulated by laws; however, the Bank shall not have the right to pledge its assets to its shareholders when borrowing from the shareholders. When the Bank borrows from a shareholder, the interest rate may not exceed the average interest rate of commercial banks located in the place of residence or business of the lender effective at the moment of the conclusion of the loan agreement. In this case, the Bank and shareholders shall be prohibited to agree on higher interest rates;
- other property rights established by laws.

The Bank's shareholders shall have the following non-property rights:

- to take part in the General Meeting of Shareholders;
- to vote at the General Meetings of Shareholders in accordance with the rights granted by the shares;
- to submit in advance to the Company any questions related to the issues of the agenda of the General Meetings of Shareholders;
- to receive information regarding the Bank as specified in the Law on Companies;
- to file a lawsuit with court for the reparation to the Bank of damage resulting from non-execution or improper execution by the Manager or Members of the Board of the Bank of their duties stipulated in laws and the Articles of Association of the Bank as well as in other cases stipulated by laws;
- to authorise a natural or legal entity to represent the shareholder in maintaining relations with the Bank or other persons;
- other non-property rights established by laws.

A person shall acquire all rights and obligations granted to that person by the part of the Bank's authorised capital and/or voting rights acquired by the person: in case of an increase in the

authorised capital, from the day of the amendments to the Articles of Association of the Bank related to the increase in the authorised capital and/or voting rights; in other cases, from the emergence of right of ownership to a part of the Bank's authorised capital and/or voting rights.

The right to receive dividends

Dividends assigned by a decision of the General Meeting of Shareholders shall be the Bank's liability to its shareholders. The shareholder shall have the right to claim payment of the dividend from the Company as its creditor. The Company shall have the right to recover the dividend paid out to the shareholder if the shareholder knew or should have known that the dividend had been assigned and/or paid unlawfully.

The right to dividends shall be possessed by persons who were the Bank's shareholders at the end of the tenth working day after the General Meeting of Shareholders that made the relevant decision (i.e. at the end of the day of accounting the rights).

It is not provided for in the Bank's Articles of Association that the dividend shall be reduced if payment for the shares was completed in the financial year for which the dividend is being assigned.

Payment of dividends shall commence in 4-5 days after the day of accounting the rights of the General Meeting of Shareholders that adopted the decision to pay dividends and shall be paid within a period of one month from the date of the Meeting upon application of the shareholder to the Bank.

The General Meeting of Shareholders shall not be entitled to adopt a decision to assign and pay documents if at least of one of the following conditions is satisfied:

- 1) the Bank is insolvent or would become insolvent in case of paying dividends;
- 2) the distributable result of the financial year is negative (loss);
- 3) the shareholders' equity of the Bank is lower or, in case of paying dividends, would become lower than the total amount of the Bank's authorised capital, legal reserve, revaluation reserve, and the reserve for the acquisition of own shares.

The shares issued by the Bank are ordinary registered ones; the limit of dividends is not stipulated by any obligations or agreements. A decision on paying or non-paying dividends shall be adopted by the General Meeting of Shareholders when distributing the profit for the previous year. Dividends shall be a percentage unit of the nominal value of a share. Dividends shall be paid once a year.

Resident and non-resident shareholders have equal rights to the dividend assigned to them.

Voting rights

All the Bank's shares that grant the voting right have the same nominal value. Each share grants one vote at the General Meeting of Shareholders.

All persons who are the shareholders of the Bank on the day of accounting of the General Meeting of Shareholders shall have the right to attend the General Meeting of Shareholders or the repeat General Meeting of Shareholders personally, with the exception of the cases stipulated by laws, or authorised persons thereof, or persons with whom an agreement regarding the transfer of the voting right has been concluded.

A shareholder shall be entitled to vote in writing by filling in a voting ballot.

A person attending the General Meeting of Shareholders and entitled to vote should present a personal identity document. A person who is not a shareholder should additionally present a document proving the right to vote at the General Meeting of Shareholders.

A shareholder, shall not have the right to vote on the following on the adoption of a decision on the withdrawal of the right of pre-emption in respect of the shares or convertible debentures issued by the Bank if is provided for in the agenda of the General Meeting of Shareholders that the right to acquire such securities is thereby granted to such shareholder, his/her close relative, the spouse or domestic partner of the shareholder (when the partnership is registered in the procedure stipulated by laws), and to a close relative of the spouse when the shareholder is a natural person as well as to the parent enterprise or subsidiary of the shareholder when the shareholder is a legal person.

The pre-emption right to subscribe securities of the same class upon announcement of the offering

This Prospectus of shares has been prepared in order to list the Bank's shares that have already been distributed on a regulated market, where shares could be acquired by any investor irrespective of the pre-emption right.

The right to receive a part of the profit of the Issuer

No additional rights to a part of the profit of the Bank with the exception of dividends are not provided for in the Articles of Association of the Bank.

The right to receive any premium in case of liquidation

The Bank's shareholders shall have the right to receive a part of the Bank's assets in liquidation.

A bank in liquidation must first of all settle with the bank's creditors in accordance with the order of priority of the creditors' requirements satisfaction as stipulated by the Civil Code. After settlement with the creditors, the accumulated dividend shall be paid to holders of accumulative dividend shares (if such shares are issued). The remaining assets of the bank in liquidation shall be distributed between to the shareholders pro rata to the nominal value of the shares owned by them. The assets of the bank which come to be known later shall also be distributed in a similar manner.

The Bank's assets may be distributed to shareholders not earlier than in 2 months after the actions stipulated by the Civil Code and the Law on Companies were performed.

Provisions of redemption

The Bank has not undertaken any obligations of redemption of the shares issued.

In case a decision is adopted to redeem own shares and the General Meeting of Shareholders has formed a reserve for the redemption of those shares, the Official Offer for the Redemption of those shares would be announced at the Stock Exchange.

Provisions for conversion

The Bank has not issued any convertible securities. In case of issue of such securities, conversion would be carried out in the procedure stipulated by laws.

4.6. Information on the resolutions, authorisations, and approvals, by virtue of which the securities have been or will be created and/or issued

The securities were issued by a decision of the Extraordinary Meeting of Shareholders held on 18 May 2010.

A written extract from the minutes of the Meeting is presented below:

No. 2 of 18 May 2010
Šiauliai

The Meeting was held on 18 May 2010, 15:00
Chairman of the Meeting – Arvydas Salda
Secretary of the Meeting – Elena Sauleikaitė

1. CONSIDERED. Increase in the authorised capital of the Bank by additional contributions of the shareholders.

DECIEDED: To increase the authorised capital of the Bank by LTL 24,500,000 by additional contributions of the shareholders by means of issuing 24,500,000 ordinary registered shares with a nominal value of LTL 1. To establish the issue price of the shares to be issued as LTL 1.04 per share.

2. CONSIDERED. Withdrawal of the pre-emption right of the shareholders in acquiring shares of the new issue.

DECIDED: In order to perform the procedure for the increase in the authorised capital of the Bank, to withdraw to all shareholders the pre-emption right in acquiring shares of the new issue pro rata to the total nominal value of the shares owned by them. To grant the right of acquiring the shares of the new issue to the following shareholders of the Bank:

- the European Bank for the Reconstruction and Development (international financial institution; domicile: One Exchange Square, London EC2A 2JN, United Kingdom) – 17,000,000 shares,
- Algirdas Butkus – 2,500,000 shares,
- Gintaras Kateiva – 2,150,000 shares,
- Arvydas Salda – 1,250,000 shares,
- Sigitas Baguckas – 500,000 shares,
- Kastytis Jonas Vyšniauskas – 500,000 shares,
- Vigintas Butkus – 350,000 shares,
- Vytautas Junevičius – 250,000 shares

Chairman of the Meeting

Arvydas Salda

Secretary of the Meeting

Elena Sauleikaitė

4.7. Expected date of the issue of the securities

The share issue was issued and distributed within the time period assigned for the purpose: from 20 May 2010 to 4 June 2010 (the distribution of the share issue was subject to the exception provided for in Paragraph 2 of Part 2 of Article 5 of the Law on Securities of the Republic of Lithuania allowing distribution of shares without having published the prospectus).

4.8. Description of any restrictions on the free transferability of securities

There are no restrictions for the free transfer of these securities.

4.9. An indication of the existence of any mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities

The shares of the LTL 24.5 million being issued grant their holders equal rights with the previously issued shares of the Bank. Therefore, if the Official Offer of the redemption of the Bank's shares is announced, it will also be possible to sell these shares.

If a person acting independently or jointly with other persons acquires more than 40 per cent of votes at the General Meeting of Shareholders, such person shall be obliged to perform the following within 30 days:

1) to transfer securities exceeding this limit, or

2) to present the Official Offer for the redemption of the remaining securities of the Bank granting the voting right and the securities proving the right to acquire securities granting the voting right.

A person willing to acquire a 1/10 part of the authorised capital and/or voting rights, or to increase it to the extent that the part of the authorised capital and/or voting rights held by such person would account for 1/5, 1/3, 1/2, or to the extent that the Bank would become controlled by that person, should obtain advance consent of the Bank of Lithuania.

The whole part of the authorised capital and/or voting rights held by the person, who acquired 1/10 of the authorised capital and/or voting rights of the Bank or increased it without the consent of the supervisory Bank of Lithuania, when such decision is required, or when the supervisory authority makes a decision to suspend the right to use the voting right, shall lose the voting right at the General Meeting of Shareholders.

A shareholder acting independently or jointly with other persons, when such person has acquired shares that grant not less than 95 per cent of all votes at the General Meeting of Shareholders of the Issuer, should have the right to require, in accordance with the procedure stipulated by the Law on Securities, that all other shareholders of the Issuer would sell the shares granting the voting right which are owned by them, and such shareholders shall be obliged to sell such shares in the procedure stipulated by the aforementioned Law. Any shareholder of an issuer, with the exception of those issuers who are included in the list of entities to be privatised and whose shares are not listed in regulated markets, shall have the right to require that the shareholder, who acts independently or jointly with other persons and has acquired not less than 95 per cent of all votes at the General Meeting of Shareholders of the Issuer, should acquire the shares granting the voting right owned by the former, and the shareholder shall be obliged to purchase the shares from such in the procedure stipulated by the Law.

Pursuant to the Law on Banks of the Republic of Lithuania, the Bank must have not less than 10 shareholders.

4.10. Information on public takeover bids in respect of the Issuer's equity

No public offers for the take-over of the authorised capital of the Bank have been received from any third parties during either the previous or current financial year.

4.11. Information on the taxes withheld at source. The Issuer's responsibility for the withholding of taxes

Taxation of dividends receivable by legal entities:

Taxation of income of legal entities is regulated by the Law on Corporate Income Tax No. IX-675 of 20 December 2001 (hereinafter referred to as the (LCIT) with further amendments.

Dividends to be paid are subject to a 15 per cent tax. Dividends payable to a Lithuanian entity possessing 10 per cent of the capital of an issuer for a period exceeding one year are tax-exempted (with the exceptions described in Chapter VII of the Law on Corporate Income Tax of the Republic of Lithuania. Dividends receivable by foreign entities are subject to the corporate income tax with a rate of 15 per cent. If the foreign entity controls not less than 10 per cent of shares granting voting rights for a period of 12 months continuously, the dividends payable to that foreign entity are tax-exempted except for the cases when the foreign entity is registered or organised otherwise in the target territories.

Taxation of dividends receivable by individuals:

Pursuant to the revision of the Law of the Republic of Lithuania on Income Tax of Individuals effective at the time of the preparation of this Prospectus, a rate of 20 per cent of the individual income tax was established for payments from the distributable profit, i.e. for dividends.

The tax shall be withdrawn and paid to the budget by the enterprise paying the dividends (Šiaulių Bankas AB).

Taxation of the income received by legal entities from the sale of securities

Pursuant to the Law of the Republic of Lithuania on Corporate Income Tax, profit of Lithuanian legal entities received for the securities sold shall be subject to corporate income tax at a rate of 15 per cent of the capital gains. The capital gains shall mean the income formed by the difference between the prices of the transfer of assets and their costs. The costs of the assets include commission fees paid, while the selling price of the assets shall be reduced by the amount of the selling expenses. If a legal entity incurs losses from the sale of securities, the loss shall be carried over into the following tax year; however, it shall be covered only from the securities transfer income. The loss may be carried over for five tax periods. Later on, losses shall not be carried over.

Taxation of the income received by individuals from the sale of securities

Pursuant to the revision of the Law of the Republic of Lithuania on Income Tax of Individuals effective at the time of the preparation of these Prospects, income from the sale or other transfer into ownership of securities acquired prior to 1 January 1999 shall be exempt from the income tax of individuals. Securities acquired after 1 January 1999, if the securities are sold or otherwise transferred into ownership not earlier than 366 days after the date of their acquisition (in every case of selling a part of securities of the same type and class issued by the same issuer, the securities acquired first shall be considered to be first sold or otherwise transferred into ownership) shall also be exempt from the income tax of individuals. If the securities are sold earlier than 366 days from the day of the acquisition thereof, the income received shall be subject to the tax at a rate of 15 per cent. Income from the sale of securities shall be subject to the income tax of individuals if the shareholder sells these shares or otherwise transfers them into ownership to the issuing entity, or in case of the sale of securities received due to an increase in the authorised capital, issue free of charge, and in other cases stipulated in the Law of the Republic of Lithuania on Income Tax of Individuals.

The shareholder who has sold the Bank's shares shall individually calculate his/her/its own expenses, profit, and (if necessary) the income tax and transfer it to the budget. The Bank shall not withdraw any taxes and be responsible for the tax liabilities of the shareholders.

Note: This information may not be considered and understood as a taxation consultation of any form. If the persons concerned would like to be consulted, they should address tax consultants.

5. TERMS AND CONDITIONS OF THE OFFER

5.1. Conditions, offer statistics, expected timetable, and action required to apply for the offer

The share issue has been issued with the purpose of increasing the authorised capital from LTL 180,357,533 to LTL 204,857,533. The issue of 24,500,000 has been issued and paid. The nominal value of 1 share is LTL 1. The price of the issue is LTL 1.04. The shares have been distributed to 8 shareholders of the Bank. The shares have been paid in cash. A part of the convertible loan received under the Agreement dated 14 October 2009 has been used for the payment for the shares subscribed to by the European Bank for Reconstruction and Development.

5.2. Plan of distribution and allotment

All the securities have been subscribed in Šiaulių Bankas AB. There was no reserved part of the issue distributed in other countries.

The issue has been distributed to the following shareholders: the European Bank for Reconstruction and Development – 17,000,000 shares, which accounts for 69.39 per cent of the share issue; Algirdas Butkus – 2,500,000 shares (10.2 per cent of the issue); Gintaras Kateiva – 2,150,000 shares (8.78 per cent); Arvydas Salda – 1,250,000 shares (5.1 per cent); Sigitas Baguckas – 500,000 shares; Kastytis Jonas Vyšniauskas – 500,000 shares; Vigintas Butkus – 350,000 shares; Vytautas Junevičius – 250,000 shares.

The shares were distributed within the time period assigned for the issue: from 20 May 2010 to 4 June 2010. The period of subscription to the shares is 12 working days.

The time for payment: by 4 June 2010. All shares have been paid.

The capital accumulation account is opened with the bank AB DnB NORD Bankas.

Account No: LT324010049500239849.

The Prospectus of the share issue, historical financial reports, and the Bank's annual report for 2009 is available for review on the website of the Bank by the following address: www.sb.lt, and on the website of the Central Storage Facility by the following address: www.crib.lt.

5.3. Pricing

The issue price of the issued securities is LTL 1.04 per share.

The shares issued by the Bank are quoted in AB NASDAQ OMX Vilnius Stock Exchange. During the recent years, the share price fluctuated from LTL 0.68 and LTL 1.40. During the recent 6 months, the share price in the stock exchange was within the range between LTL 0.99 and LTL 1.18.

The price chart announced on the website of AB NASDAQ OMX Vilnius is presented below:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=18&start_m=11&start_y=2009&end_d=18&end_m=5&end_y=2010&period=year

Period: May 2009 – May 2010



Normally, the issue price of newly issued shares is established as 20 – 30 per cent lower than that currently available in the market. However, according to the effective legal acts of the Republic of Lithuania, the share issue price may not be lower than its nominal value, i.e. LTL 1. The price established by the General Meeting of Shareholders is LTL 1.04 per share.

At the General Meeting of Shareholders held on 18 May 2010, a decision was adopted to withdraw to all shareholders the pre-emption right in acquiring shares of the new issue pro rata to the total nominal value of the shares owned by them in order to perform the procedure for the increase in the authorised capital of the Bank. To grant the right of acquiring the shares of the new issue to the following shareholders of the Bank: the European Bank for Reconstruction and Development, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Sigitas Baguckas, Kastytis Jonas Vyšniauskas, Vigintas Butkus, and Vytautas Junevičius.

By subscribing to shares, a shareholder does not assume any payment obligations with the exception of the obligation to pay up the subscribed shares at the share issue price.

5.4. Placing and underwriting

The Bank itself was the coordinator of the offering. The head domicile is as follows: Tilžės St. 149, Šiauliai.

There are no settlement intermediaries and depository intermediaries for the share issue.

The issued and distributed share issue is not guarantee. There have been no entities who agree to guarantee the issue on the basis of a firm obligation.

6. ADMISSION TO TRADING AND DEALING ARRANGEMENTS

Initial distribution of the shares was not carried out in any regulated market. The shares were distributed by the Bank. The shares issued by the Bank are traded in AB NASDAQ OMX Vilnius Stock Exchange. The shares are included in the Official Trading List.

The newly issued accounts for 13.58 per cent of the Bank's authorised capital. The distributed securities will grant their holders equal rights with other shares issued by the Bank. Therefore, the issued shares will be accounted under the same ISIN code: LT0000102253. Upon registration of the amendments to the Articles of Association of the Bank and transfer of the

securities to the personal securities accounts, the shares will be admitted for trading in the stock exchange.

No distribution of any other securities takes place during the time of the preparation of the Prospectus.

There are no entities that have firmly obligated to act under the rights of secondary trading intermediaries and to ensure liquidity on the prices of the offering.

No price stabilisation will be applied.

7. SELLING SECURITIES HOLDERS

This Prospectus of shares has been prepared with the purpose of listing the issue of the Bank's 24,500,000 shares in a regulated market. Other shares issued by the Bank are included in the Official Trading List of NASDAQ OMX AB Vilnius. When the shares are admitted for trading in the stock exchange, the persons who have acquired shares of the issue will be entitled to sell them in the stock exchange.

8. EXPENSES OF THE ISSUER/OFFER

Upon registration of the share issue, the Bank's capital will increase by LTL 25.48 million.

An amount of approximately LTL 14,000 is expected to be spent for the distribution of the issue, its registration, and listing in the Stock Exchange. This amount includes the state duty, fees of the Central Depository, the Registrar, the Notary, and the Stock Exchange as well as other expenses. These costs are to form the expenses to be incurred by the Bank. The costs to be incurred will amount to approximately 0.05 per cent of the funds expected to be accumulated.

9. DILUTION

The newly issued share issue accounts for 13.58 per cent of the registered authorised capital of the Bank. The part of the capital held by the shareholders who do not participate in this share issue will decrease by 11.95 per cent of their previous shareholding. The General Meeting of Shareholders held on 18 May 2010 obligated the Board of the Bank to convene, within a reasonably short period of time upon the registration of the amendments to the Articles of Association with the increased authorised capital, a new Meeting of Shareholders, where the consideration of the issue regarding the new issue of the Bank's shares for an increase in the authorised capital by additional contributions would be initiated, while providing for the distribution of new shares without withdrawing the pre-emption right of the shareholders in acquiring shares of the new issue pro rata to the total nominal value of the shares held by the shareholders, and offering the principal shareholders, for whose benefit the pre-emption right in the first issue was withdrawn, not to participate in the new issue thus attaining, in two stages, the result equal to the increase in capital without any withdrawal of the pre-emption right.

10. ADDITIONAL INFORMATION

No advisor services related to the share issue have been used by the Bank. No information received from any entities acting in accordance with the expert's rights has been referred to in this Securities Note.

The information presented in the Securities Note has not been audited.

III. SHARES REGISTRATION DOCUMENT

Prepared in accordance with Annex I of the Commission Regulation (EC) No 809/2004

1. PERSONS RESPONSIBLE

Data on the persons responsible and the confirmation of these persons regarding the correctness of the information being provided are represented in Clause 1 of Part II (Securities Note) of this Prospectus.

2. STATUTORY AUDITORS

2.1. Names and addresses of the auditors of the Issuer who performed the auditing of the historical financial information:

The auditing of Šiaulių Bankas AB for 2003-2006 has been performed by PricewaterhouseCoopers UAB. Company address: J. Jasinskio St. 16B, LT-01112 Vilnius, phone: (8-5) 2392-300, fax: (8-5) 2392-301. The company was registered on 29 December 1993, No: UĮ 93-369, company code: 111473315.

The independent auditing has been performed by the following auditors:

2007 – Christopher C. Butler, Membership No. 7986452 (The Institute of Chartered Accountants in England and Wales) and Rasa Radzevičienė, Auditor's Certificate No. 000377.

2008-2009 – Christopher C. Butler, Membership No. 7986452 (The Institute of Chartered Accountants in England and Wales) and Rimvydas Jogėla, Auditor's Certificate No. 000457.

3. SELECTED FINANCIAL INFORMATION

The main type of the activity of Šiaulių Bankas AB is the activity of commercial banks (economic activity type code 65.12.10)

The main incomes of the Bank are presented in the table below (thousand LTL):

Type of income	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Income from interest	94,570	134,457	35,855	140,474	29,434
Income from services and commissions	14,840	15,221	3162	12,935	2,669
Net profit from changes in the exchange rate	3,444	2,571	614	2,402	466

The main incomes of the Group are presented in the table below (thousand LTL):

Type of income	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Income from interest	101,348	140,234	37,404	142,800	30,321
Income from services and commissions	14,438	14,887	3,068	12,620	2,618
Net profit from changes in the exchange rate	3,435	2,582	614	2,402	466

Selected financial information of the Bank (thousand LTL):

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Registered authorised capital	121,033,512	180,357,533	180,357,533	180,357,533	180,357,533
The Bank's assets	2,013,146	2,049,685	2,027,340	2,059,270	2,124,651
Loans	1,540,637	1,674,541	1,665,809	1,605,635	1,583,284
Cost-to-income ratio, %	47.11	55.59	45.83	75.71	90.33
Earning assets, %	87.60	92.62	91.94	90.32	91.51

Selected financial information of the Group (thousand LTL):

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Registered authorised capital	121,033,512	180,357,533	180,357,533	180,357,533	180,357,533
The Group's assets	2,051,563	2,079,574	2,049,764	2,073,798	2,126,517
Loans	1,385,835	1,490,014	1,472,041	1,434,328	1,400,860
Cost-to-income ratio, %	49.94	59.27	56.87	78.42	94.25
Earning assets, %	78.66	88.90	88.82	86.61	87.80

4. RISK FACTORS

Below, the risk factors linked to Šiaulių Bankas AB are presented. Investors intending to acquire shares of Šiaulių Bankas AB should familiarise themselves with all the risk factors described. Each of the factors has an adverse impact on the activity of the Bank, its profit, execution of obligations and prospects as well as on the share price on the market.

The Bank considers credit risk, finance risk, liquidity risk, and operating risk to be the main ones. However, the aforementioned risks may cause other factors, which are not known to the Bank currently and are unforeseen, and which might affect the activity of the Bank and result in a decrease or loss of the investors' assets.

Specific risk of the Bank means the risk of possible failure to fulfil the obligations of the parties upon maturity. The Bank analyses the levels of credit risk to be assumed, establishes certain limits of credit risk to a borrower, a group of borrowers, or certain segments of industry. This risk is regularly monitored and controlled, and reviews of the assumed credit risk are conducted once a year or more frequently. The key operational risks of the Bank include credit risk, market risk (that of interest rates, currency exchange rates, prices of equity securities etc), liquidity risk, and operating risk.

Credit risk means the risk of incurring losses due to the failure to fulfil the clients' obligations towards the Bank. Credit risk is the most significant one in the Bank's risk system. Credit risk is managed by carrying out a thorough risk analysis prior to issuing credits and through monitoring after they are issued, by analysing and controlling concentration risk, setting credit limits appropriate for the credit risk and controlling their observance.

The parts of the Bank's loans and provisions are presented in the table below (thousand LTL):

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Loans extended to clients	1,547,807	1,685,809	1,681,337	1,645,917	1,621,958
Provisions for a decrease in the value of loans	7,170	11,268	15,528	40,282	38,674
Net value of the loan extended to clients	1,540,637	1,674,541	1,665,809	1,605,635	1,583,284
Special provisions/Loan portfolio	0.46%	0.67%	0.92%	2.45%	2.38%
Depreciated loans	34,586	44,036	40,104	141,513	132,444
Amount of security measures	27,657	44,473	29,445	112,827	103,152
Part of depreciated loans of extended loans, %	2.23	2.61	2.39	8.60	8.17

The following limits are applied to the loan portfolio:

- the maximum exposure to a single borrower should not exceed 25 per cent of the capital of the Bank/Group, and the total amount of loans extended by the Bank should not exceed 800 per cent of the capital of the Bank/Group;
- lending to the parent enterprise and to enterprises associated with the parent enterprise, or to own subsidiaries should not exceed 20 per cent of the capital of the Bank for one borrower;
- lending to consolidated financial subsidiaries should not exceed 75 per cent of the capital of the Bank.

Market risk means the risk for the Bank to incur losses due to unfavourable fluctuations in market variables (interest rates, currency exchange rates, prices of equity securities etc). The interest rate risk is the most significant one. The currency exchange rate risk of the Issuer is not significant because open currency positions are not remarkable. The equity securities price risk is not significant either due to a small portfolio of equity securities. The market risk is to be limited by establishing and controlling limits.

Risk of the Issuer's liquidity means the risk for the Bank to fail to timely fulfil its financial obligations and the risk of incurring losses due to rapidly decreasing financial resources and increase in the price of the new funds intended for covering the decrease in resources. The risk of the Bank's liquidity is to be managed by forecasting everyday and short-term (up to 1 year) cash flows and by analysing long-term ones. The liquidity risk is to be limited by establishing and controlling limits.

Operating risk means the risk of incurring direct or indirect losses due to improper or ineffective internal processes, systems, technologies, actions of employees, and external factors. The legal risk forms an integral part of the operating risk and means the risk of incurring losses due to the non-exercise of the current and previous rights of the Bank arising from agreements and other arrangements, cases or laws. The Bank carries out its activity in a highly regulated market. The institutions regulating the activities of the Bank have broad authorisations to impose restrictions on the types of the Bank's activities, to establish the amounts of legal reserves, to change the classification of assets etc. Any amendments to these rules may remarkably affect the activities of the Bank or its competitors. Currently, the operating risk is managed by identifying and describing it and by minimising the impact of losses through the operating risk.

There are no factors of social or environmental risk that might directly cause any risk to the activities of the Bank.

Risk of deterioration of the Issuer's credit and ratings. The Investor in the Bank's shares assumes the risk of possible decrease in the demand for and/or price of shares of the Bank in the event of the deterioration of the financial condition and/or decrease in the ratings of the Bank.

Ratings assigned by the international rating agency Moody's:

Long-term credit rating	Ba3
Short-term credit rating	NP
Financial strength rating	D-
Outlook	negative

The Agency reasons such ratings by the exposure of the profitability and quality of the assets of the Bank to the recession.

Long-term credit ratings

Ba. Banks rated Ba for deposits offer questionable credit quality. Often the ability of these banks to meet punctually deposit obligations may be uncertain and therefore not well safeguarded

in the future.

Short-term credit ratings

NP. Banks rated Not Prime for deposits offer questionable to poor credit quality and an uncertain capacity for timely payment of short-term deposit obligations.

Bank financial strength ratings

Banks rated **D** display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

The risk is limited by internal requirements and requirements stipulated by the Bank of Lithuania. The Bank has been always fulfilling all the risk-limiting requirements stipulated by the Bank of Lithuania.

Below, the data on the risk-limiting requirements stipulated by the Law of the Republic of Lithuania on Banks are presented:

- capital adequacy;
- liquidity;
- maximal open position in foreign currency;
- maximum exposure to a single borrower;
- large exposures.

Capital adequacy requirement

This indicator is calculated in accordance with the rules approved by the Board of the Bank of Lithuania. The capital adequacy requirement means the ratio of the Bank's capital and risk-weighted assets and off-balance sheet liabilities expressed in per cent. This ratio must be not lower than 8 per cent.

Capital adequacy ratios:

Capital adequacy ratio (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	15.07	15.08	16.44	13.90	12.87
Group	14.62	15.21	15.94	13.90	13.01

The Bank's liquidity requirement

Liquidity means the Bank's capability to carry out everyday activities without facing any deficiency of financial resources. The liquidity risk is one of the greatest risks encountered by banks. The liquidity risk is defined as the risk arising from the non-conformity of the terms of assets and liabilities. The Bank's liquidity indicator is a ratio of liquid assets and current liabilities. A resolution of the Bank of Lithuania stipulates that this ratio may not be lower than 30 per cent.

The fulfilment of the liquidity requirement is presented in the table below:

Liquidity ratio (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	44.03	38.75	39.45	38.23	39.68
Group	39.46	32.14	31.88	34.61	39.21

Total open position in foreign currency

A resolution of the Bank of Lithuania stipulates that the maximum total open position in foreign currency may not exceed 25 per cent of a bank's capital and the maximum open position in one foreign currency may not exceed 15 per cent of a bank's capital calculated in accordance with the Capital Adequacy Regulation.

Total open position in foreign currency, (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	1.40	0.41	0.33	0.31	1.43
Group	1.32	1.26	1.42	0.31	1.43

The requirement for the maximum exposure to a single borrower

The maximum exposure to a single borrower is the total value of loans, guarantees, securities, and liabilities in litas and other currency (it may not exceed 25 per cent of the Bank's capital). The amount of loans granted by the Bank to its parent enterprise, other subsidiaries of the parent enterprise or own subsidiaries of the Bank may not exceed 75 per cent of the Bank's capital for each borrower if the Bank of Lithuania carries out consolidated supervision of the Financial Group as a whole. If the Bank of Lithuania does not carry out consolidated supervision of the Financial Group as a whole, the loan amount granted by the Bank to the said enterprises may not exceed 20 per cent of the Bank's capital.

The requirement for the maximum exposure to a single borrower is presented in the table below:

Maximum exposure to a single borrower (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	13.29	21.30	24.39	24.56	24.19
Financial Group	13.88	21.12	24.23	24.38	24.00

The requirement to large exposures

The total amount of large exposures granted by the Bank must not exceed 800 per cent of the Bank's capital. The requirement to large exposures is presented in the table below:

The requirement to large exposures (%)	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Bank	156.99	166.20	171.86	198.85	233.03
Financial Group	115.98	111.86	120.36	152.08	184.91

5. INFORMATION ABOUT THE ISSUER

5.1. History and development of the Issuer

The legal and commercial name of the Issuer

The legal name of the issuer: Public Limited Liability Company Šiaulių Bankas (Šiaulių Bankas AB).

The commercial name of the issuer: Šiaulių Bankas

The place of registration of the issuer and its registration number

Date and place of registration: 4 February 1992, the Bank of Lithuania, Vilnius
Company code: 112025254
Registration No: AB – 92-18

The date of incorporation and period of activity

Date of establishment: 4 February 1992
Period of activity: unlimited

The domicile and legal form of the Issuer, the legislation under which the Issuer operates, its address and telephone number

Domicile address: Tilžės St. 149, LT-76348 Šiauliai
Legal and organisational form: Public limited liability company
The legislation under which the Issuer operates: the law of the Republic of Lithuania
The country of incorporation of the Issuer: the Republic of Lithuania
Telephone numbers: (8-41) 595 607, (8-41) 595 669
Fax: (8-41) 430774;
E-mail address: info@sb.lt
Website: www.sb.lt
SWIFT: CBSBLT26

Branches of the Bank:

Alytus Branch, S. Dariaus ir S. Girėno St. 1, Alytus
Tel. (315) 76300, fax: (315) 76301, e-mail: alytus@sb.lt

Druskininkai Branch, Čiurlionio St. 111, Druskininkai,
Tel. (313) 58044, fax: (813) 58045, e-mail: ula@sb.lt

Kaunas Branch, Vytauto Ave. 56, Kaunas
Tel. (37) 302983, fax: (37) 302979, e-mail: kaunas@sb.lt

Kelmė Branch, S. Dariaus ir S. Girėno St., Kelmė
Tel. (427) 60258, fax: (427) 60256, e-mail: kelme@sb.lt

Kuršėnai Branch, J. Basanavičiaus St. 9, Kuršėnai
Tel. (41) 585957, fax: (41) 585598, e-mail: kursenai@sb.lt

Klaipėda Branch, S. Nėries St. 6, Klaipėda
Tel. (46) 311532, fax: (46) 431184, e-mail: klaipeda@sb.lt

Mažeikiai Branch, Laižuvos St. 14, Mažeikiai
Tel. (443) 35114, fax: (443) 35446, e-mail: mazeikiai@sb.lt

Palanga Branch, Gintaro St. 46, Palanga
Tel. (460) 57245, fax: (460) 52062, e-mail: palanga@sb.lt

Panevėžys Branch, Elektros St. 6, Panevėžys
Tel. (45) 501610, fax: (45) 435223, e-mail: panevezys@sb.lt

Radviliškis Branch, Aušros Sq. 1, Radviliškis
Tel. (422) 52547, fax: (422) 60728, e-mail: radviliskis@sb.lt

Šilutė Branch, Lietuvininkų St. 17, Šilutė
Tel. (441) 78300, fax: (441) 78299, e-mail: silute@sb.lt

Šiauliai Branch, Vilniaus St. 193, Šiauliai
Tel. (41) 595619, fax: (41) 430774, e-mail: info@sb.lt.

Utena Branch, Utenio Sq. 22, Utena
Tel. (389) 62273, fax: (389) 62077, e-mail: utena@sb.lt

Vilnius Branch, Verkių St. 37, Vilnius
Tel. (5) 2722436, fax: (5) 2722492, e-mail: vilnius@sb.lt

The important events in the development of the Issuer's business

On 4 February 1992, by Resolution No. 5 of the Board of the Bank of Lithuania, Šiaulių Bankas was granted Licence No. 7, which enables the Bank to provide licensed financial services stipulated in the Law of the Republic of Lithuania on Banks except for trade in precious metals.

The Bank began its activity in the city of Šiauliai and currently has 51 area offices in 31 cities of the country and services its clients across the whole Lithuania.

The important events in the development of the Bank's business:

October 1999. Šiaulių Bankas joined EUROPAY International.

1999. The Bank became a member of SWIFT.

March 2003. Šiaulių Bankas was recognised as one of the most efficient banks in implementing the SME Finance Facility Project of the European Bank for Reconstruction and Development. This news was announced at a meeting of the banks involved in this Project, which was held in Belarus.

February 2004. The Bank joined Visa International and started implementation of Visa chip cards.

August 2005. The international payment cards organisation VISA Europe granted the Bank the right to distribute chip (microprocessor) payment cards.

May 2006. The strategy of Šiaulių Bankas was acknowledged as one of the most target-oriented and consistent in Lithuania (ranked fifth) according to the data of the survey conducted by Euromoney magazine among Central and Eastern European companies.

December 2006. The shares of Šiaulių Bankas AB were listed in the Official Trade List of Vilnius Stock Exchange.

October 2007. Šiaulių Bankas was awarded the title of "The Most Attractive Employer in Šiauliai 2007".

April 2008. Šiaulių Bankas was ranked among the top ten companies of the annual campaign "Praise Good Servicing!".

April 2009. Šiaulių Bankas won the tender arranged by the Ministry of Economy of the Republic of Lithuania and by Investicijų ir Verslo Garantijos UAB (INVEGA) for a portion of the budget allocations intended for lending to small and medium-sized businesses. Šiaulių Bankas was committed LTL 8 million for the extension of smaller credits.

May 2009. Šiaulių Bankas took the first place in the event "Extension of Smaller Credits – Stage 2" and received the maximal possible amount for an applicant, i.e. LTL 35 million.

July 2009. Šiaulių Bankas and Investicijų ir Verslo Garantijos UAB (INVEGA) signed the Open Credit Line Agreement, according to which the Bank would be able to extend credits to SMEs from the Opened Credit Fund.

August 2009. Šiaulių Bankas became the winner in the selection procedure announced by the Ministry of Finance of the Republic of Lithuania for the provision of state-supported loans to students.

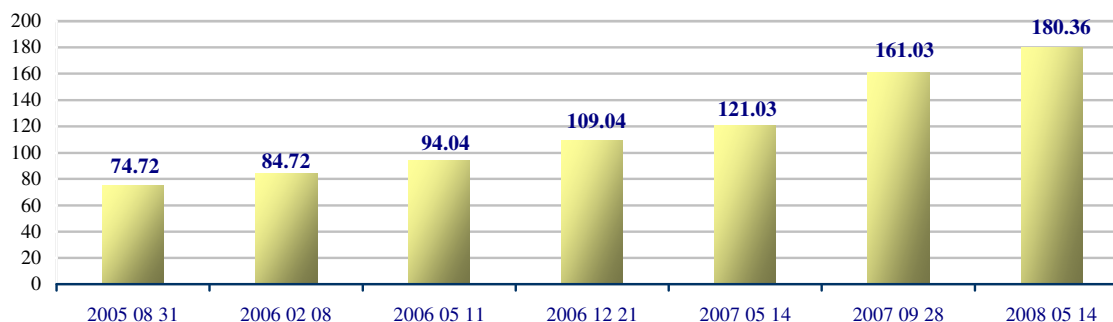
September 2009. Šiaulių Bankas, in cooperation with the European Investment Fund (EIF), started the implementation of a new financial instrument, which would allow more simplified financing of micro-enterprises and small- and medium-sized enterprises. The EIF chose Šiaulių Bankas for the provision of shared risk loans and intended to appropriate to the Bank up to EUR 20 million from the JEREMIE Holding Fund.

December 2009. NASDAQ OMX Baltic stock exchanges in Vilnius, Tallinn, and Riga announced the results of Baltic Market Awards for the Baltic securities market 2009. Šiaulių Bankas was acknowledge as one of the most progressive banks in the securities market of the Baltic countries.

Šiaulių Bankas has 5 subsidiaries: Šiaulių Banko Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Turto Fondas UAB, SBTf UAB, and Minera UAB.

The Bank and its subsidiaries apply flexible and integrated forms of the financing of small- and medium-sized enterprises while coordinating their activities and various financial instruments.

Changes in the authorised capital of the Bank from 2005 (LTL million):



During the recent five years, the authorised capital of the Bank has been increased by a total of more than LTL 124.4 million including LTL 77 million from additional contributions of the shareholders and LTL 47.4 million from the funds of the Bank.

5.2. Investments

More many years, the Bank has been consistently investing in business development, creation of new banking products, and personnel training. Before the country was affected by the economic crisis, the Bank had been constantly expanding its geographical presence by establishing new branches. With focus on effective and convenient servicing, the Bank had been renewing office interiors and creation of modern working places.

At the beginning of 2007, the Bank installed its first ATMs. During 2007, the value of the acquired real property (buildings and spaces) amounted to LTL 3,393 thousand; LTL 979 thousand was invested in transport vehicles; and investments in office equipment amounted to LTL 2,162 thousand. In the meanwhile, LTL 183 thousand was appropriated for employee training, and LTL 305 thousand was invested in software and licences. At the end of the year, the Bank had 52 offices.

During 2008, investments in real property and office equipment amounted to LTL 4,902 thousand and LTL 3,580 thousand, correspondingly; LTL 176 thousand was invested in employee training; and LTL 132 thousand was appropriated for software and licences. By the end of the year, the Bank had 59 area offices operating in 33 Lithuanian cities.

After a period of rapid economic growth, the whole economy of the country suffered a steep decline in 2009. The Bank started to implement strict control over operating expenses, and the Bank's administrative and operating costs were reduced by 11.5 per cent, while cutting personnel expenses by 20 per cent. The performance of the Bank's branches and client servicing departments was reviewed, and certain economically unsound departments of the Bank were closed. In 2009, the amount of investments in real property was LTL 810 thousand, that in office equipment was LTL 651 thousand, appropriations to software and licences were LTL 225 thousand, and LTL 76 thousand was assigned for personnel training. During the year, the Bank was expanding its network of ATMs and increased their number to 30 by the end of 2009.

The Bank has no divisions and carries out no activities abroad; therefore, all the aforementioned investments were made in Lithuania.

The management of the Bank has not assumed any obligations in respect of future investments.

6. BUSINESS OVERVIEW

6.1. Principal activities

Šiaulių Bankas offers the following products and services to its clients: bank accounts in litas and foreign currencies, deposits of various kinds in litas and foreign currency, loans of various purposes, local and international payments, payment cards Maestro, EuroCard/MasterCard, and VISA, buying-up, collection and return of cheques, currency exchange services, acceptance of payments (for utility, communication services etc), investment and additional services, leasing products, property evaluation services etc.

Lending is the most important direction of the activities of the Bank. The servicing of small- and medium-sized businesses is the priority direction of the activities of Šiaulių Bankas, which distinguishes the Bank most of all from other commercial banks operating in Lithuania. The Bank extends loans to small- and medium-sized businesses in accordance with the European Union PHARE Programme, in cooperation with the European Bank for Reconstruction and Development, and using funds received from the World Bank and the Council of Europe Development Bank. Šiaulių Bankas cooperates with the Central Project Management Agency and the Lithuanian Environmental Investment Fund in the provision of lending for the renewal of buildings and engineering infrastructure of urbanised areas or projects improving environmental protection.

In 2009, the whole economy of the country suffered a steep decline. The year 2009 was also the most financially unfavourable one for Šiaulių Bankas and its subsidiaries from the very beginning of their operations. During the aforementioned period, the Bank incurred a net loss of LTL 30.1 million, i.e. earned two and a half times less than a year earlier, when it gained a net profit of LTL 17.5 million. The Bank, in the course of further revision of the quality of its loan portfolio, during January-March 2010, formed special provisions amounting to LTL 8.96 million, which predetermined a loss of LTL 6.9 million for the Bank in the first quarter. According to non-audited data, the Group of the Bank incurred a loss of LTL 8.13 in the first quarter of 2010.

Over 2009, the assets of Šiaulių Bankas increased by 0.5 per cent to LTL 2,059.5 million (compared to the growth of 2 per cent in 2008) and were by LTL 10 million greater than those in 2008. The growth is mostly attributed to an increase in the portion of liquid assets, i.e. higher investments in securities. During 2009, the amount of debt and equity securities held by the Bank (excluding its subsidiaries) increased by LTL 46.2 million, or 28 per cent, to LTL 215.3 million.

The portion of these securities in the Bank's assets went up by 2.2 per cent. The assets of the Group of the Bank decreased by 0.27 per cent in 2009 compared to 2008, and amounted to LTL 2.074 million at the end of December. During Q1 of 2010, the assets of the Bank increased by 3.17 per cent (LTL 65.4 million). The loan portfolio decreased by LTL 22.4 million (1.39 per cent) in the first quarter, while the deposit portfolio grew by LTL 62.5 million (4 per cent) over the same period.

At the end of 2009, the Bank's adequacy ratio was 13.9 per cent, which allowed the Bank to successfully depreciate the losses incurred. The liquidity ratio of the Bank also remained at a sufficiently high level of 38.23 per cent, i.e. by more than 8 percentage points exceeded the minimum stipulated by the Bank of Lithuania. Expensive lending resources and contraction of the loan market also affected the lending volumes of the Bank. Following the trend of falling incomes of businesses and individuals, the net value of the loan portfolio during 2009 decreased by nearly LTL 68.9 million (4.1 per cent) and amounted to LTL 1,605.6 million at the end of the year. The deposit portfolio accounted for the greatest portion of the Bank's liabilities. The amount of deposits held by clients in the Bank grew by 21.4 per cent (LTL 269 million) from the beginning of 2009 to LTL 1,528.8 million at the end of the year. The biggest growth in the deposit portfolio was shown by deposits of legal persons: 34 per cent (LTL 119 million). The portfolio of deposits of natural persons increased by 16.6 per cent (LTL 150 million) over the year. 2009 saw a trend of growing deposits in foreign currencies; however, relatively high interest rates on deposits that prevailed, which also resulted in higher prices of resources, also affected the Bank's results.

Declining net income from interest and commissions was another significant negative factor for the activity result. Compared to 2008, the net income of Šiaulių Bankas from interest and commission fee slumped by 31.4 per cent to LTL 36.1 million in 2009 (the amount of net income from interest was by 35.4 per cent lower (LTL 15 million) than that in 2008, while the net income from commissions dropped by 14.4 per cent). Reduced lending volumes, higher price of monetary resources, and lower incomes from loans also had certain impact. During the first three quarters of 2010, net income from interest decreased by LTL 1.4 million (23.3 per cent) compared to the fourth quarter of 2009. When separate months of the first quarter are considered, some improvement in the situation is observed: net income from interest was LTL 1.2 million in January, LTL 1.4 million in February, and LTL 2.1 million in March. Although during 2009 Šiaulių Bankas received by 4 per cent more income from interest (a total of LTL 140 million) compared to 2008, the expenses of interest grew by 23 per cent and amounted to nearly LTL 113 million in 2009. Growing expenses of interest resulted from growing expensive resources.

The net income of the Group of Šiaulių Bankas from commissions decreased to LTL 8.2 million, while the amount of net income from interest fell by 39.1 per cent to LTL 29.2 million. In the meanwhile, the net income from interest and commission fees of the whole Group of the Bank during the reporting period amounted to LTL 37.4 million, or 65 per cent of the 2008 result, representing a 35 per cent drop.

Implementation of strict operating expense controls resulted in a reduction of the Bank's expenses. During the reporting year, the Bank's administrative and operating costs decreased by 11.5 per cent compared to 2008 and amounted to LTL 31.7 million, while the corresponding decline for the whole Group of the Bank was 10.8 per cent, down to LTL 36.7 million. The reduction in personnel costs, which were cut by 20 per cent during the year, was the biggest contributor to this decrease.

Decrease in income that was faster than the reduction in costs resulted in a deteriorated efficiency indicator, i.e. cost-to-income ration. The cost-to-income ratio of Šiaulių Bankas was growing and reached 75.71 per cent compared to 55.59 per cent in 2008, i.e. worsened by 20.21 percentage points.

Other information of the Bank about the services provided and incomes received is presented below:

	LTL thousand				
	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Call deposits, including those of:					
national authorities	3,571	3,039	2,042	2,361	4,177
local authorities	24,579	26,039	41,391	26,920	60,872
state and municipal enterprises	5,856	2,154	8,064	11,045	26,219
private enterprises	137,022	88,416	72,985	96,914	103,351
non-profit organisations	7,583	6,379	6,218	7,153	6,891
natural persons	117,239	98,914	88,560	97,428	99,210
amount not yet assigned to clients	11,033	5,907	6,171	5,829	6,983
Total call deposits	306,883	230,848	225,431	247,650	307,703
Term deposits, including those of:					
national authorities	15,378	646	534	4,733	7,194
local authorities	9,606	5,003	7,910	8,531	8,835
state and municipal enterprises	86,499	85,951	110,985	145,644	142,416
private enterprises	113,484	126,563	134,310	157,421	146,312
non-profit organisations	4,875	4,738	5,268	7,286	7,219
natural persons	680,217	806,006	843,684	957,575	971,663
Total term deposits	910,059	1,028,907	1,102,691	1,281,190	1,283,639
Income from interest including that on:					
loans to other banks and financial institutions as well as funds in credit institutions	8,615	14,491	3,419	12,488	1,934
loans to clients	78,159	111,389	30,502	118,945	24,122
debt securities	7,796	8,577	1,934	9,041	3,378
financial leasing	-	-	-	-	-
Total income from interest	94,570	134,457	35,855	140,474	29,434
Income from services and commissions including those for:					
money transfer transactions	8,631	8,510	1,563	6,669	1,562
payment card services	2,047	2,495	511	2,111	367
base currency exchange transactions	1,272	1,568	439	1,870	268
securities transactions	671	278	29	113	33
other income from services and commissions	2,219	2,370	620	2,172	439
Total income from services and commissions	14,840	15,221	3,162	12,935	2,669

Other information of the Group about the services provided and incomes received is presented below:

	LTL thousand				
	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Call deposits, including those of:					
national authorities	3,571	3,039	2,042	2,361	4,177
local authorities	24,579	26,039	41,391	26,920	60,872
state and municipal enterprises	5,856	2,154	8,064	11,045	26,219
private enterprises	136,984	88,397	72,974	96,898	103,295
non-profit organisations	7,583	6,379	6,218	7,153	6,891
natural persons	117,239	98,914	88,560	97,428	99,210
amount not yet assigned to clients	11,033	5,907	6,171	5,829	6,983
Total call deposits	306,845	230,829	225,420	247,634	307,647
Term deposits, including those of:					
national authorities	15,378	646	534	4,733	7,194
local authorities	9,606	5,003	7,910	8,531	8,835
state and municipal enterprises	86,499	85,951	110,985	145,644	142,416
private enterprises	113,588	126,563	134,310	157,421	146,312
non-profit organisations	4,875	4,738	5,268	7,286	7,219
natural persons	680,217	806,006	843,684	957,575	971,663
Total term deposits	910,163	1,028,907	1,102,691	1,281,190	1,283,639
Income from interest including that on:					
loans to other banks and financial institutions as well as funds in credit institutions	4,274	6,468	3,419	2,647	285
loans to clients	78,717	111,349	28,179	117,413	23,952
debt securities	8,029	9,053	2,064	9,569	3,536
financial leasing	10,328	13,364	3,742	13,171	2,548
Total income from interest	101,348	140,234	37,404	142,800	30,321
Income from services and commissions including those for:					
money transfer transactions	8,496	8,364	1,503	6,520	1,532
payment card services	2,042	2,495	510	2,109	366
base currency exchange transactions	1,270	1,568	439	1,869	268
securities transactions	671	278	29	113	33
other income from services and commissions	1,959	2,182	587	2,009	419
Total income from services and commissions	14,438	14,887	3,068	12,620	2,618

Ratings assigned by the international rating agency Moody's:

Long-term credit rating	Ba3
Short-term credit rating	NP
Financial strength rating	D-
Outlook	negative

Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its foreign and/or domestic currency deposit obligations. Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk that are relevant to the prospective payment

performance of the rated bank with respect to its foreign and/or domestic currency deposit obligations. Included are factors such as intrinsic financial strength, sovereign transfer risk (for foreign currency deposits), and both implicit and explicit external support elements.

Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes that make payments to depositors, but they do recognize the potential support from schemes that may provide direct assistance to banks.

In addition to its Bank Deposit Ratings, Moody's also publishes Bank Financial Strength Ratings, which exclude certain of these external risk and support elements (i.e. sovereign risk and external support). Such ratings are intended to elaborate and explain Moody's Bank Deposit Ratings, which incorporate and reflect such elements of credit risk.

Long-term credit ratings

Ba. Banks rated Ba for deposits offer questionable credit quality. Often the ability of these banks to meet punctually deposit obligations may be uncertain and therefore not well safeguarded in the future.

Moody's appends the numerical modifiers 1, 2, and 3 to each generic rating category from Aa to Caa. The modifier 1 indicates that the bank is in the higher end of its letter-rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the bank is in the lower end of its letter-rating category

Short-term credit ratings

NP. Banks rated Not Prime for deposits offer questionable to poor credit quality and an uncertain capacity for timely payment of short-term deposit obligations.

Bank financial strength ratings

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings.

Unlike Moody's Bank Deposit Ratings, Bank Financial Strength Ratings do not address the probability of timely payment. Instead, Bank Financial Strength Ratings are a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group, or official institutions.

Bank Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations.

Factors considered in the assignment of Bank Financial Strength Ratings include bank specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Bank financial strength rating definition

Banks rated **D** display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise; financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

Where appropriate, a “+” modifier will be appended to ratings below the “A” category and a “-” modifier will be appended to ratings above the “E” category to distinguish those banks that fall in intermediate categories.

6.2. Principal markets

Šiaulių Bankas implements its banking products and provides its services in Lithuania.

The main purchasers of the banking products and services offered by the Bank are Lithuanian natural and legal persons. Information on incomes by types of services is presented on Pages 37-39 of this Prospectus.

The Bank has been increasing the volumes of services provided by expanding the client servicing network and implementing advanced e-banking technologies. Currently, the Bank has 51 area offices operating in 31 Lithuanian cities.

All offices of the Bank operate on-line.

In 2000, the Bank implemented the software SWIFT Alliance Entry and ensured prompt and reliable execution of international settlements. At the beginning of 2008, the Bank joined the Single Euro Payments Area (SEPA), which started to operate officially, in order to improve the efficiency of retail international payments and simplify settlements for its clients.

In order to effect international settlements, the Bank has opened its correspondent accounts in the following foreign banks:

Name of the bank	City	Name of the bank	City
BELPROMSTROIBANK	Minsk	SEB BANKA	Riga
COMMERZBANK	Prague	UNIKREDIT BANK	Moscow
SWEDBANK	Tallinn	BANK ROZWOJU EXPORTU S.A.	Warsaw
CREDIT SUISSE	Zurich	PRIVAT BANK	Dnepropetrovsk
COMMERZBANK	Frankfurt	UNIKREDIT S.P.A	Milan
DEUTSCHE BANK	Frankfurt	BANK OF AMERICA, N.A.	New York
NATIONAL WESTMINSTER BANK PLC	London	DEUTSCHE BANK TRUST COMPANY AMERICAS	New York
SVENSKA HANDELSBANKEN	Stockholm	CITIBANK	New York
SKANDINAVISKA ENSKILDA BANKEN	Stockholm	BANCA NAZIONALE DEL LAVORO	Rome
DANSKE BANK	Copenhagen		

For the performance of banking activities, the Bank holds a licence issued by the Bank of Lithuania as well as a number of other licences specified on Page 52 of the Prospectus. The Bank does not participate in, carry out, or finance any research.

In the course of its commercial banking activities in Lithuania, Šiaulių Bankas competes against other commercial banks operating in Lithuania.

The Bank holds strong positions in the area of financing of small- and medium-sized businesses. In this field, the Bank has been successfully operating and expanding its activities in cooperation with its partners. The Bank has been successfully cooperating with the European Bank for Reconstruction and Development (EBRD) for five years. A special credit line of the EBRD for small- and medium-sized business granted to Šiaulių Bankas allowed development and

improvement of comprehensive servicing of small- and medium-sized clients as well as private clients in Lithuania and promoted the rapid growth of the Bank. Šiaulių Bankas grew up from being a regional into a national bank and attained the name of a partner of small- and medium-sized business.

Overview of the activities of the banking sector and competitive situation

The Bank's competitors are other banks operating in the country.

9 banks holding licences of the Bank of Lithuania and 13 divisions of foreign banks operated in the country at the time of the preparation of the Prospectus.

Below, we provide a review of the activities of banks in 2009 (from the data of the Bank of Lithuania published on the following website: <http://www.lb.lt/lt/istaigos/veikla2009.htm>).

BANKS' OPERATIONS

Assets and loans of the banking system were declining in 2009, while quite rapidly growing volume of deposits compensated the sudden withdrawal of deposits from banks in the fourth quarter of 2008.

According to the audited financial statements as for 1 January 2010, total assets of operating domestic commercial banks¹ decreased by LTL 5.5 billion, or 6.1 per cent over the year. Total loans granted to customers amounted to LTL 61.6 billion, decreasing year on year by LTL 9.9 billion or 13.8 per cent. Deposits with banks made up LTL 41.1 billion as of 1 January 2010 representing a growth of 7.4 per cent of LTL 2.8 billion over the year. The biggest impact on the yearly growth in deposits was made by the funds held with banks by authorities, which increased by LTL 1 billion (89 per cent).

Dynamics of some assets and liabilities items in the banking system (LTL million)

No	Balance sheet item	Amount 01/01/2009	Amount 01/01/2010	Change year on year (per cent)
1	Assets	89,749.2	84,239.6	-6.1
2	Debt securities	5,971.5	7,760.3	30.0
3	Loans to clients	71,440.9	61,557.5	-13.8
4	Loan impairment	870.9	4,747.4	5.5,times
4.1	Loan impairment/granted loans, per cent	1.2	7.2	-
5	Deposits and letters of credit	38,231.3	41,072.5	7.4
6	Shareholders' equity	6,778.9	4,992.3	-26.4
7	Current year profit	867.3	-2,979.1	-

Funds in banks and other credit institutions increased by LTL 2.6 billion (45 per cent) during the year. The whole flow of cash to foreign banks fell on parent banks, in which funds of Lithuanian banks grew by LTL 3.2 billion to LTL 6 billion. In 2009, investments of banks in debt securities increased considerably by LTL 1.8 billion (nearly 30 per cent). It is notable that banks mostly invested in treasury debt securities.

¹ The concept of the banking system and operating domestic commercial banks includes all commercial banks and foreign bank branches in operation during the period under review.

With the amount of funds held with foreign banks and investments in securities of foreign issuers growth, the part of banks' assets invested abroad continued to grow. Over the year, the part of assets invested abroad increased from 11.9 per cent to 17.4 per cent. A major part of banks' assets is formed by assets denominated in foreign currency, the part of which was consistently increasing in 2009 as well. The part of assets denominated in foreign currency increased by 8.5 per cent to 72.9 per cent.

In 2009, the structure of financing sources of banks faced remarkable changes, while the trends of those changes were contradictory to those observed during previous. Banks managed to attract deposits, although at quite a higher cost but quite successfully, in the local market, which, alongside with shrinking operating volumes resulted in lower indebtedness to banks (including parent ones) which had been only growing thus far. In 2009, indebtedness to banks and other credit institutions decreased by LTL 6.7 billion, or 17.1 per cent. The biggest part of the funds repaid to banks was on the account of parent banks, to which Lithuanian banks repaid LTL 6.1 billion during the year. In the meanwhile, the reduction of net indebtedness to parent banks (difference between the indebtedness to parent banks and funds held with these banks) is even higher and amounts to LTL 9.3 billion.

Banks' loan portfolio

In 2009, the supply of loans decreased due to higher borrowers' credit risk and resulting stricter procedures for loan extension. Pursuant to the data of the Loan Risk Database, banks extended new loans amounting to LTL 6.8 billion in 2009; however, the loan portfolio of the banking system slim by LTL 9.9 billion (13.8 per cent) as a result of rapidly declining loans extended during previous years and growing special provisions compared to a growth of LTL 11.3 billion in 2008.

So far, signs of economic recovery are not prominent, and borrowers' credit risk remains. Therefore, bank's conditions for the extension of new loans are not to see considerable changes. It is expected that the trend of decreasing loan portfolio will continue; however, the pace of decrease should slow down. This can be judged from lending obligations, which show the growth potential of the loan portfolio that decreased by LTL 3.9 billion (36.8 per cent) in 2009, while the reduction of the fourth quarter of the last year was not significant, i.e. LTL 0.2 billion (2.7 per cent). The reduction in lending volumes could be mitigated, to some extent, by certain decrease in the interbank interest rate (VILIBOR) recorded recently as well as by business stimulus programmes. However, the amount of loans extended under these programmes is just approximately LTL 180 million, or 0.3 per cent of the loan portfolio of the banking system.

The decrease of loans to businesses in 2009 (down LTL 6.2 billion) was greater than that for other parts of the loan portfolio; therefore, the part of these loans in the loan portfolio dropped by 1.8 per cent over the year and accounted for 50.5 per cent as of 1 January 2010.

In 2009, the decrease in loans to individuals was much more modest than that in loans to businesses. Out of those, housing loans dropped by 2.1 per cent over the year, while their portion in the loan portfolio grew by 4 per cent. This result was preconditioned by several causes. First of all, repayments of these loans are relatively low; secondly, the impairment of quality of the portfolio of these loans in 2009 was relatively small.

In 2009, interest rates on loans in litas were considerably higher than interest rates on loans in Euros. This caused changes in the structure of the loan portfolio by currencies: the portion of loans in litas in the portfolio decreased by 9.1 per cent over the year and amounted to 26.3 per cent of the loan portfolio as of 1 January 2010.

Lower economic activity, decreased real property prices, growing number of companies in bankruptcy, higher unemployment, lower level of salaries and wages as well as conservative attitude of banks towards the provision of loans resulted in significant deterioration of the quality of loans in 2009.

According to the data of the Loan Risk Database, liabilities of bankrupt and restructured enterprises towards banks amounted to LTL 2 billion (6.5 per cent of the portfolio of loans extended to private enterprises) in 2009. To compare, the amount of liabilities of bankrupt and restructured enterprises towards banks amounted only to LTL 0.3 billion in 2008.

In 2009, special provisions of banks for loans increased by LTL 3.9 billion, and amounted to LTL 4.7 billion as of 1 January 2010. Over the year, the ratio of special provisions for loans with the loan portfolio increased from 1.2 per cent to 7.16 per cent, depreciated loans ratio grew from 3.41 per cent to

15.77 per cent, the ratio of loans overdue for more than 60 days went up from 1.14 per cent to 3.53 per cent, and the non-performing loans ratio surged from 4.55 per cent to 19.3 per cent.

As of 1 January 2010, banks are capable, without infringing the capital adequacy requirement, to absorb LTL 2.4 billion of credit risk losses, or could increase the existing assets evaluated by risks by LTL 26 billion.

Profitability and business efficiency

According to the data of audited reports presented by banks, the activities of the country's banking system in 2009 were loss-making. The total operational loss of the banking systems amounted to LTL 2.98 billion, compared to a gain of LTL 0.87 billion received by the banking system in 2008. Excluding the part of 2009 losses of the subsidiary bank covered by SEB Bank in the form of additional contributions of the shareholder, the operational loss of the banking system is even higher, i.e. LTL 3.67 billion.

Profit of operating banks (LTL million)

No	Bank	Profit
1.	DnB NORD Bankas AB	(402.6)
2.	Ūkio Bankas AB	(75.0)
3.	SEB Bankas AB	(855.6)
4.	Bankas FINASTA AB	(6.7)
5.	Šiauliu Bankas AB	(30.1)
6.	Bankas SNORAS AB	8.7
7.	Medicinos Bankas UAB	0.4
8.	PAREX BANKAS UAB	(91.5)
9.	Swedbank AB	(1053.0)
10.	AS UniCredit Bank, Lithuanian Branch	3.3
11.	MP Bank hf. Branch for Baltic Countries	(0.7)
12.	BIGBANK AS Branch	4.4
13.	Allied Irish Banks, p.l.c. Lithuanian Branch	(2.7)
14.	Danske Bank A/S Lithuanian Branch	(433.9)
15.	Svenska Handelsbanken AB Lithuanian Branch	(3.9)
16.	Skandinaviska Enskilda Banken AB, Vilnius Branch	0.3
17.	Nordea Bank Finland Plc Lithuanian Office	(40.5)
	TOTAL:	(2,979.1)

The biggest contribution to the growth in costs related to the impairment of the value of banks was due to the costs of impairment of loans, which increased by LTL 3.52 billion. As some subsidiaries of banks (mostly leasing companies) operated at a loss in 2009, banks increased the capital of these companies by additional contributions, thus increasing investments in subsidiaries; however, at the same time, banks revised the value of the investments in these subsidiaries and formed for them provisions (impairment) of LTL 772.7 million, i.e. by LTL 748.8 million more than in 2008. Besides, in 2009 AB SEB Bankas wrote off the goodwill accounted thus far, which resulted in the formation of impairment of goodwill of LTL 169.6 million.

During the previous year, banks were more conservative in evaluating not only the loan risk, but also the risk of off -balance sheet liabilities. Provisions for off-balance sheet items in 2009 were by LTL 119.2 million higher compared to 2008.

However, the performance of banks was affected not only by costs due to the impairment of assets, but also by decreasing incomes from the principal activities of banks, i.e. net income from interest and net income from services and commissions. In 2009, banks earned LTL 1.3 billion in net income from interest, i.e. by LTL 697.7 million or 35.4 per cent less than in 2008. The decrease in incomes from interest was mostly determined by the decreasing loan portfolio and unfavourable situation in the market, which caused consistent reduction in the difference between the income received by banks from interest and interest to be paid (actual interest margin).

7. ORGANISATIONAL STRUCTURE

The Bank, together with its subsidiaries, forms the Group. The Bank does not belong to any other group of companies.

The portion of the Bank in the enterprises of the Group is presented in the table below:

Subsidiary	Areas of activities and authorised capital	Part of the authorised capital belonging to the Bank, per cent
Šiaulių Banko Lizingas, UAB; address: Vilniaus St. 167, Šiauliai. The company has representative offices in Vilnius, Kaunas, and Klaipėda	The character of activities: financial leasing; authorised capital: LTL 2 million.	100.0
Šiaulių Banko Investicijų Valdymas UAB, address: Vilniaus St. 167, Šiauliai	The character of activities: investments in debt and equity securities, in small- and medium-sized private enterprises, financing and transfer of experience in financial management: LTL 4 million.	100.0
Šiaulių Banko Turto Fondas UAB, address: Vilniaus St. 167, Šiauliai	The character of activities: long-term investments in land and real property; authorised capital: LTL 5 million.	100.0
SBTF UAB, address: Vilniaus St. 167, Šiauliai	The character of activities: transactions in real property, supportive activities in financial services, management consultancy activities; authorised capital: LTL 1.99 million.	100.0
Minera UAB, address: J. Jasinskio St. 9, Vilnius	The character of activities: transactions in real property, supportive activities in financial services, management consultancy activities; authorised capital: LTL 1.99 million.	100.0

8. PROPERTY, PLANTS, AND EQUIPMENT

The value of the Bank's long-term tangible property (less depreciation) is presented in the table below:

Item	LTL thousand				
	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Long-term tangible assets	40,490	46,290	46,794	45,179	44,527
buildings and other real property	33,239	37,401	37,915	37,392	37,299
transport vehicles	2,494	2,438	2,489	2,634	2,482
office equipment and others	4,757	6,451	6,390	5,120	4,746

The Bank has not envisaged acquisition of any long-term tangible assets. No greater changes in other assets are envisaged either.

9. OPERATING AND FINANCIAL REVIEW

9.1. Financial condition

The consolidated financial reports of the Bank and the Group for 2007, 2008, and 2009 were prepared in accordance with the International Accounting Standards. All the annual reports have been audited. The audit has not been performed on the interim financial statements as of 31 March 2010 (Clause 20.6 of Part II of the Prospectus).

Below, the key income, cost, and profitability indicators of the Bank are presented:

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Assets, LTL thousand	2,013,146	2,049,685	2,027,340	2,059,270	2,124,651
Shareholders' equity, LTL thousand	269,617	282,881	284,069	254,037	249,683
Return on average assets – ROAA, %	1.62	0.86	0.22*	(1.47)	(1.32)*
Return on average equity – ROAE, %	12.92	6.34	1.59*	,(11.22)	(10.96)*
Cost-to-income ratio, %	47.11	55.59	45.83	75.71	90.33
Interest margin, %	2.32	2.10	1.62	1.34	0.91
Profit per share, LTL	0.18	0.10	0.01	(0.17)	(0.04)

* - The indicators have been recalculated into yearly ones because this objectively reflects the situation and eliminates single deviations.

- ROAA is calculated as a ratio of profit and average assets;
- ROAE is calculated as a ratio of profit and average equity;
- Interest margin is a ratio of the net interest income and average assets;

The main income, expenses and profitability indicators of the Group:

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Assets, LTL thousand	2,051,563	2,079,574	2,049,764	2,073,798	2,126,517
Shareholders' equity, LTL thousand	289,206	289,657	287,750	254,184	248,436
Return on average assets – ROAA, %	1.42	0.65	(0.41)*	(1.71)	(1.55)*
Return on average equity – ROAE, %	10.93	4.64	(2.95)*	(12.96)	(12.93)*
Cost-to-income ratio, %	49.94	59.27	56.87	78.42	94.25
Interest margin, %	2.65	2.32	1.68	1.41	1.06
Profit per share, LTL	0.19	0.07	(0.01)	(0.20)	(0.05)

* - The indicators have been recalculated into yearly ones because this objectively reflects the situation and eliminates single deviations.

9.2. Operating results

The main incomes and operating result of the Bank are presented in the table below (LTL thousand):

Type of income	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Income from interest	94,570	134,457	35,855	140,474	29,434
Income from services and commissions	14,840	15,221	3162	12,935	2,669
Net profit from changes in the exchange rate	3,444	2,571	614	2,402	466
Net income, LTL thousand	27,248	17,525	1,129	(30,114)	(6,900)

The main incomes and operating result of the Group are presented in the table below (LTL thousand):

Type of income	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Income from interest	101,348	140,234	37,404	142,800	30,321
Income from services and commissions	14,438	14,887	3,068	12,620	2,618
Net profit from changes in the exchange rate	3,435	2,582	614	2,402	466
Net income, LTL thousand	26,461	15,782	(2,145)	(35,551)	(8,125)

There were no significant factors, including extraordinary or seldom events or new circumstances, which would have impact on the operational income.

10. CAPITAL RESOURCES

As of 31 March 2010, the shareholders' equity of the Bank amounted to LTL 249.683 thousand, while liabilities amounted to LTL 1,874,968 thousand. The constituent parts of the equity had the following relative weights:

- authorised capital: 72.23 per cent,
- reserve capital: 1.05 per cent,
- legal reserve: 2.57 per cent,
- capital reserves (share premiums): 18.30 per cent,
- other reserves: 5.85 per cent.

The Bank's capital resources and capital adequacy in the Bank are calculated each quarter:

	thousand LTL				
	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Level I capital	240,706	264,576	282,216	252,847	246,012
Level II capital	371	-	-	502	2,666
Investments in other credit and financial institutions	(900)	(900)	(900)	(1,782)	(1,782)
Total capital	240,177	263,676	281,316	251,567	246,896
Demand for capital	127,519	139,849	136,866	144,746	153,499
Capital adequacy ratio, %	15.07	15.08	16.44	13.90	12.87

In order to evaluate the risk of failure to have sufficient resources for the fulfilment of the undertaken obligations, the liquidity risk is calculated in the Bank.

The structure of the Bank's assets and liabilities as of 2010-03-31 is presented in the table below

	LTL thousand										
	On demand	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	5-10 years	More than 10 years	Unspecified terms	Total
Total assets:	146,270	88,974	140,629	216,659	401,326	573,114	178,251	208,029	67,911	103,488	2,124,651
Total liabilities and shareholders' equity:	310,386	285,572	368,588	296,083	344,056	130,005	99,780	38,555	267	251,359	2,124,651
Liquidity position I	-164,116	-196,598	-227,959	-79,424	57,270	443,109	78,471	169,474	67,644	-147,871	0
Liquid assets											492,145
Current liabilities											1,240,322
Liquidity ratio, per cent											39.68

For its activities, the Bank uses its own and borrowed funds. Funds in the form of deposits are received from natural and legal persons as well from financial institutions and various funds.

Indebtedness to banks and other credit and financial institutions; deposits received:

LTL thousand

	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Loans received	299,220	331,262	301,661	207,895	203,760
Call deposits	90,014	17,881	30,102	6,187	18,970
Terms deposits	65,437	96,802	25,498	23,233	26,887
Total indebtedness	454,671	445,945	357,261	237,315	249,617

Šiaulių Bankas uses loans and credit lines received from loan and other banking and financial institutions including HSH Nord Bank, Dresdner Bank, Bankengesellschaft Berlin AG, Svenska Handelsbanken, the World Bank, the European Bank for the Reconstruction and Development, from the Council of Europe Development Bank, the Nordic Investment Bank, the Public Institution the Lithuanian Environmental Fund, and the Public Institution the Central Project Management Agency.

The main and biggest movements in the Bank's cash flows were represented by the attraction of deposits and loans extended. These cash flows have been constantly changing:

(LTL

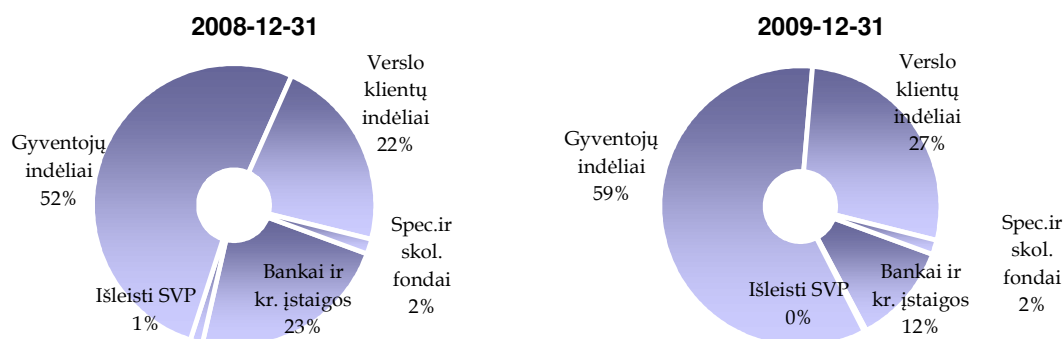
thousand)

Item	31-12-2007	31-12-2008	31-12-2009
Increase (decrease) in loans extended	(537,962)	(136,750)	26,751
Increase (decrease) in deposits	278,855	75,877	263,366

No restrictions related to the transfer of funds in the form of dividends apply to subsidiaries. The Bank lends funds to subsidiaries in the general procedure in observance of the requirement for the exposure to a single borrower: up to 75 per cent of the eligible capital; for other institutions, up to 20 per cent of the eligible capital.

The treasury policy is formed in the Bank in such a manner that the movement of funds in the correspondent accounts of the Bank would be planned, forecasted and managed, and that timely performance of payments to the mandatory reserves established by the Bank of Lithuania would be ensured. High emphasis is placed on the attraction of resources.

Changes in the pattern of financing sources of Šiaulių Bankas AB



/Translation of the left diagram: 31 December 2008

Deposits of individuals – 52 %
Deposits of business clients – 22%
Special and debt funds – 2%
Banks and other institutions – 23%
Debt securities issued – 1%/

/Translation of the left diagram: 31 December 2009

Deposits of individuals – 59%
Deposits of business clients – 27%
Special and debt funds – 2%
Banks and other institutions – 12%
Debt securities issued – 0%/

The portion of financing sources and credit institutions over recent years in all resources of the Bank decreased nearly two-fold, i.e. dropped to 12 per cent. Such reduction was caused not only by an increase in the deposits portfolio, but also by the repayment of loans to Dresdner Bank, Bankgesellschaft Berlin AG, Svenska Handelsbanken, and Raiffeisen Zentralbank Osterreich AG as well as partial repayments in accordance with the established schedules in 2009.

In 2009, the Bank take an active part and became the winner in the tenders announced by the Ministry of Economy of the Republic of Lithuania and Investicijų ir Verslo Garantijos UAB for the provision of credits to small- and medium-sized businesses (the total amount of Stage 1 and Stage 2 is LTL 43 million) as well as in the selection for the revision of state-supported loans to students announced by the Ministry of Finance of the Republic of Lithuania. Besides, the Bank signed an agreement worth EUR 2.4 million with the Credit Fund for the extension of beneficial credits to the agricultural sector and an agreement with the EBRD regarding a convertible loan of EUR 30 million. Besides, in cooperation with the European Investment Fund (EIF), the Bank started to implement a new financial instrument, which will allow easier financing of micro-enterprises as well as small- and medium-sized enterprises. The EIF chose Šiaulių Bankas for the provision of shared risk loans and intended to appropriate to the Bank up to EUR 20 million from the JEREMIE Holding Fund. At the end of 2009, the funds of banks and credit institutions amounted to more than LTL 211 million.

The Bank has borrowing limits in other Lithuanian banks. These limits have not been utilised and can be used as a source for increasing the liquidity. REPO transactions in selling securities of the government is one more form for increasing the liquidity.

Control of the treasury and financing in the Bank is exercised by the Risk Management Committee. The liquidity of the Bank is monitored and assessed while analysing the dynamics of various liquidity indicators. The list of these indicators as well as recommendations for their amendment are defined in the Liquidity Risk Management Procedures approved by the Board of the Bank. Decisions on liquidity management are made by the Board of the Bank on the basis of the information provided by the Planning and Financial Risks Department of the Bank.

Monetary funds (assets) are held in the Bank in the currency of the liabilities assumed. The Bank constantly calculates the risk of the main currencies (open position). According to the requirements of the Bank of Lithuania, the total open position may not exceed 25 per cent, while that for each individual foreign currency may not exceed 15 per cent of the Bank's capital calculated in accordance with the Capital Adequacy Rules. Šiaulių Bankas does not speculate in foreign currency and holds the position close to zero.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

On 4 February 1992, Šiaulių Bankas was granted Licence No. 7, which enables the Bank to provide licensed financial services stipulated in the Law of the Republic of Lithuania on Banks except for trade in precious metals

For the performance of its activities, the Bank has concluded various agreements and acquired other licences:

- Microsoft licences for the operating versions of Windows 1995, 1998, 2000, and Windows XP; Microsoft Office; Server NT, Windows 2000 Server, and Windows 2003 Server licences;
- a licence for the database management system ORACLE software;
- TOAD for Oracle – software designed for the formation and administration of databases;
- licences for Novell computer network resources management software;
- licences for the use of the banking informational system FORPOST v.4;
- an agreement has been signed with the Public Institution Legal Information Centre regarding the use of the database containing the regulatory legal acts of the Republic of Lithuania;
- a number of licences regarding the servicing of payment cards has been acquired: the Principal Eurocard Licence Agreement; the Principal Mastercard Licence Agreement; the Principal Cirrus Licence Agreement; the Principal Maestro Licence Agreement; and the Principal Eurocheque Pictogram Licence Agreement;
- a licence for the software Saperion Business Solution of the Document Archivation System;
- a licence for the e-mail server Mdaemon with the anti-virus system MicroTrend;
- licences for the software Norton Antivirus.

In the first quarter of 2010, the Bank did not appropriate any additional funds for the Bank's development: 2 companies, Minera UAB and SBTF UAB, which had belonged to the Bank's subsidiaries, were acquired.

12.TREND INFORMATION

The interest rates in the market (price of money) influence the income earned and expenses incurred by the Bank. During the recent years, interest rates have been changing. They were on an upward trend until Quarter I of 2009, which then turned around.

Average interest rates on the Bank's loans, debt securities, and deposits are presented in the table below:

(per cent)

Type of income/expenses	31/12/2007	31/12/2008	31/03/2009	31/12/2009	31/03/2010
Loans extended to legal persons	7.12	7.93	8.01	6.92	5.56
Loans extended to natural persons	7.25	8.05	8.20	7.30	5.94
Debt securities	4.71	4.59	4.81	5.43	5.13
Term deposits of legal persons	5.03	7.85	8.20	6.85	4.84
Term deposits of natural persons	4.87	6.84	7.66	6.95	5.72
Funds on payment cards accounts	0.16	0.28	0.35	0.50	0.51

The Bank is not aware of any trends, uncertainties, requirements, events, which may reasonably have a considerable impact on the prospects of the Bank at least for the current financial year.

13. PROFIT FORECASTS OR ESTIMATES

The profit forecast has not been audited and, therefore, is not presented.

14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

The Supervisory Council of the Bank

Arvydas Salda, Chairman of the Supervisory Council; Member of the Supervisory Council since 1996.

Working place: Šiaulių Banko Turto Fondas UAB, address: Vilniaus St. 167, Šiauliai.

Main activities outside the Issuer:

Klaipėdos LEZ Valdymo Bendrovė UAB, Member of the Board

Šiauliai University, Member of the Council;

Pavasaris UAB, Member of the Board;

LEZ Projektų Valdymas, Member of the Board.

Sigitas Baguckas, Deputy Chairman of the Supervisory Council; Member of the Supervisory Council since 1991.

Working place: Namų Statyba UAB, address: Gamybos St. 6, Šiauliai.

Main activities outside the Issuer:

Namų Statyba UAB, Director since 1992, Procurist since 2007.

Gintaras Kateiva, Member of the Supervisory Council since 2008.

Working place: LITAGRA UAB, address: Savanorių Ave. 173, Vilnius.

Main activities outside the Issuer:

LITAGROS MAŽMENA UAB, Advisor to Director;

LITAGRA UAB, Chairman of the Board.

Kastytis-Jonas Vyšniauskas, Member of the Supervisory Council since 1996.

Working place: Sulinkiai UAB, address: Durpių St. 2, Radviliškis.

Main activities outside the Issuer:

Sulinkiai UAB, Chairman of the Board.

Vigintas Butkus, Member of the Supervisory Council since 2004.

Working places: Prekybos Namai Aiva UAB, address: Vilniaus St. 167, Šiauliai,
Mintaka UAB, address: Vilniaus St. 167, Šiauliai

Vytautas Junevičius, Member of the Supervisory Council since 2006.

Working place: Alita AB, address: Miškininkų St. 17, Alytus.

Main activities outside the Issuer:

Alita AB, Chairman of the Board,
Company Group Alita AB, Chairman of the Board;
Anykščių Vynas AB, Chairman of the Board.

Michael Anthony Hesketh, Member of the Supervisory Council since 2010.

Working place: the European Bank for Reconstruction and Development, address: One Exchange Square, London.

Main activities outside the Issuer:

Member of the Supervisory Council of TBC Bankas (Georgia).

The Members of the Council who acted in the capacities of any of the positions in the aforementioned companies were not related to any bankruptcies, administration of the liquidation and/or sanctions of the aforementioned companies. The Members of the Council have no convictions in relation to fraudulent offences. No statutory or regulatory authorities have presented to these persons any official public incriminations and/or sanctions to these persons; these persons have not ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs of any issuer.

The Board of the Bank

Algirdas Butkus, Chairman of the Board since 1999.

Working place: Šiaulių Bankas AB, address: Tilžės St. 149, Šiauliai.
Capacity in the company: Head of the Administration.

Donatas Savickas, Member of the Board since 1995.

Working place: Šiaulių Bankas AB, address: Tilžės St. 149, Šiauliai.
Capacity in the company: Deputy Head of the Administration, Head of the Finance and Credit Division.

Vita Adomaitytė, Member of the Board since 2002.

Working place: Šiaulių Bankas AB, address: Tilžės St. 149, Šiauliai.
Capacity in the company: Chief Accountant, Head of the Accounting and Accountability Division.

Jonas Bartkus, Member of the Board from 2005.

Working place: Šiaulių Bankas AB, address: Tilžės St. 149, Šiauliai.
Capacity in the company: Deputy Head of Administration, Head of the Business Development Division.

Daiva Kiburienė , Member of the Board from 2005.

Working place: Šiaulių Bankas AB, address: Tilžės St. 149, Šiauliai.

Capacity in the company: Deputy Head of Administration, Head of the Business and Retail Banking Division.

The Members of the Board have no convictions in relation to fraudulent offences. No statutory or regulatory authorities have presented to these persons any official public incriminations and/or sanctions to these persons; these persons have not ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs of any issuer.

Administration

Algirdas Butkus, Chairman of the Board since 1999.

Working place: Šiaulių Bankas AB, address: Tilžės St. 149, Šiauliai.

Capacity in the company: Head of the Administration.

Vita Adomaitytė, Member of the Board since 2002.

Working place: Šiaulių Bankas AB, address: Tilžės St. 149, Šiauliai.

Capacity in the company: Chief Accountant, Head of the Accounting and Accountability Division.

The Bank has no unlimited liability partners.

Nature of the family relationship between the members of the administration, management, and supervisory bodies

Vigintas Butkus, who acts in the capacity of Member of the Council of the Bank, is a brother of Algirdas Butkus, who acts in the capacity of Chairman of the Board.

14.2. Administrative, management and supervisory bodies and senior management conflicts of interests

There no administrative, management and supervisory bodies and senior management conflicts of interest between their obligations towards the Bank and their own private interests and/or other obligations of theirs.

The senior management and administration of the Issuer are directly subordinate to the Board of the Issuer, which is subordinate to the Council and shareholders who manage the Board of the Issuer through the General Meeting of Shareholders.

The portion of the capital and votes of the Bank controlled by the members of the management bodies

31 March 2010

Name and surname	Portion of the capital held, %	Portion of the votes held, %
Arvydas Salda	2.68	2.68
Sigitas Baguckas	0.58	0.58
Kateiva Gintaras	7.07	7.07
Kastytis Jonas Vyšniauskas	1.00	1.00
Vigintas Butkus	0.31	0.31
Vytautas Junevičius	0.03	0.03
Michael Anthony Hesketh	-	-
Algirdas Butkus	4.49	4.49
Donatas Savickas	<0.01	<0.01
Vita Adomaitytė	0.02	0.02
Jonas Bartkus	<0.01	<0.01
Daiva Kiburienė	0.01	0.01

The senior managers of the Bank belong to the group of 16 persons who have the permission of the Bank of Lithuania to acquire a qualified portion of the authorised capital and voting rights of the Banks amounting to and exceeding 50 per cent. As of 31 March 2010, the group held 41.35 per cent of the authorised capital and votes of the Bank.

15. REMUNERATION AND BENEFITS

Below, the data on the funds paid by the Bank and its subsidiaries to the members of the Council and the Board of the Bank during 2009 are presented:

Name and surname	Šiaulių Bankas AB		Subsidiaries of the Bank	
	Payments related to employment relations	Payments from the profit	Payments related to employment relations	Payments from the profit
Arvydas Salda	-	-	331,666	-
Sigitas Baguckas	-	-	-	-
Kastytis Jonas Vyšniauskas	-	-	-	-
Vigintas Butkus	-	-	-	-
Vytautas Junevičius	-	-	-	-
Gintaras Kateiva	-	-	-	-
Matti Hyrynen	-	-	-	-
Michael Anthony Hesketh	-	-	-	-
Algirdas Butkus	850,292	-	-	-
Donatas Savickas	160,277	-	-	-
Vita Adomaitytė	131,666	-	-	-
Daiva Kiburienė	175,487	-	-	-
Jonas Bartkus	129,293	-	-	-

The Bank and its subsidiaries make no provisions intended for the accumulation of the funds of pension, old-age or similar payments.

16. BOARD PRACTICES

The Council was elected at the General Meeting of Shareholders on 27 March 2008 (the list of the Members of the Council is presented in Clause 14). The office of the Council will expire in 2012.

The Board was elected in 2008. The surnames of the Members of the Board are indicated in Clause 14. The office of the Board will expire in 2012.

The Members of the Council of the Bank are not employees of the Bank. No agreements are concluded with them regarding work in the administration, management, or supervisory bodies.

The Chairman of the Board of the Bank is also the Head of the Administration. His employment contract is a term contract with the expiration date in 2012, when the office of the Board expires. The other members of the Board are employees of the Bank. Open-end employment contracts are concluded with them. No payments other than those stipulated in the Labour Code of the Republic of Lithuania are provided for in their employment contracts.

Information on the Issuer's Audit Committee

The Bank's Audit Committee consists of 4 members: 3 Members of the Bank's Supervisory Council – Sigitas Baguckas, Vytautas Junevičius, and Kastytis Jonas Vyšniauskas and an independent member Galina Ivanova, who is not an employee of the Bank. The purpose of the Audit Committee is the monitoring of the Bank's activities, improvement of the Internal Audit Division, and assurance of the independence of the activities of the Internal Audit Division.

Below is the list of the functions of the Bank's Audit Committee described in the regulations of the Audit Committee approved by the Supervisory Council of the Bank:

The Internal Audit Committee shall perform the following functions:

1. Monitors the process of the preparation of financial reports.
2. Monitors the efficiency of the systems of internal control, risk management, and internal audit.
3. Monitors the processes of the performance of the audit and internal audit; considers the information provided by the Internal Audit Division in relation to the checks performed, elimination of the detected shortcomings, implementation of working plans of the internal audit etc; if required, takes necessary actions.
4. Approves the regulation and methodology of the Internal Audit Division, the activity plan of the Internal Audit Division for the current year, the list of persons to whom the audit report or a summary thereof is to be provided, and the procedure for the provision of the report.
5. Takes measures in order to ensure that the Internal Audit Division is provided with sufficient resources for the implementation of the established tasks, and that the employees of the Internal Audit Division have necessary qualification for the performance of their functions.
6. Performs periodical revisions in order to check whether the activities of the Bank comply with laws of the Republic of Lithuania, the legal acts of the Bank, and other legal acts as well as the activity strategy of the Bank.
7. Provides the Supervisory Council of the Bank with recommendations regarding the outside firm of auditors to be selected by the Bank.
8. Monitors how the auditor or firm of auditors that performs the audit of the Bank would adhere to the principles of independence and objectivity.
9. Monitors the execution of the prevention of money laundering and terrorist financing.
10. Performs other functions commissioned by the Supervisory Council.

The Audit Commission monitors whether the senior management properly evaluates the importance of internal control and risk management; supervises the assurance of the security of computer systems and processing of financial information, in case of system failures, on the part of the senior management; controls whether the senior management has implemented recommendations presented by internal and external auditors in relation to internal control; and performs a number of other functions.

Information on the remuneration committee

There is no remuneration committee in the Bank.

Statement as to whether or not the Issuer complies with the country's of incorporation corporate governance regime

The Bank complies with the major part of the provisions of the Corporate Governance Code. The full version of the Corporate Governance Code and the statement of the Bank regarding the compliance with the provisions thereof are presented in the Annual Report of the Bank to the Financial Statement of the Bank as of 31 December 2009. The Code is available for review on the website of the Bank by the following address: www.sb.lt, in the Central Storage Facility www.crib.lt as well as on the website of the Stock Exchange by the following address: <http://www.nasdaqomxbaltic.com>.

17. EMPLOYEES

17.1. As of 31 December 2009, the number of employees of Šiaulių Bankas amounted to 475 including 71 per cent of those who had higher education, 17 per cent had advanced vocational education, 7 per cent had secondary education (including 32 per cent out of the latter being trained for higher education), and 7 per cent had special secondary education. Compared to 2008, the headcount of the Bank decreased by 9 per cent which was preconditioned by the optimisation of the servicing network of the Bank and closure of ineffectively functioning divisions. As of 31 December 2009, the Group of AB Šiaulių Bankas employed 530 people. As of 31 March 2010, the number of employees of the Bank was 474, and that of the Group of the Bank was 530.

Average monthly labour remuneration of the corresponding groups of employees before taxes:

Group of employees	2007		2008		2009		2010 (Quarter I).	
	Number of employees	Average monthly remuneration, LTL	Number of employees	Average monthly remuneration, LTL	Number of employees	Average monthly remuneration, LTL	Number of employees	Average monthly remuneration, LTL
Managing employees	8	18,027	8	23,039	8	17,106	8	15,140
Clerks	450	2,292	484	2,410	454	1,980	445	1,892

The Bank has no agreement with employees which would provide for any compensation in case employees resign or are dismissed without a substantiated reason or if their employment terminates due to the changes in the control of the Bank.

The Bank is not a party of significant agreements which would come into effect, change, or terminate in case of the change in the control of the Bank.

17.2. Shareholdings and stock options

The information on the shareholdings of the senior managers and employees of the administration are provided in Clause 14.2. No agreements regarding the participation of employees in the capital of the Bank have been concluded.

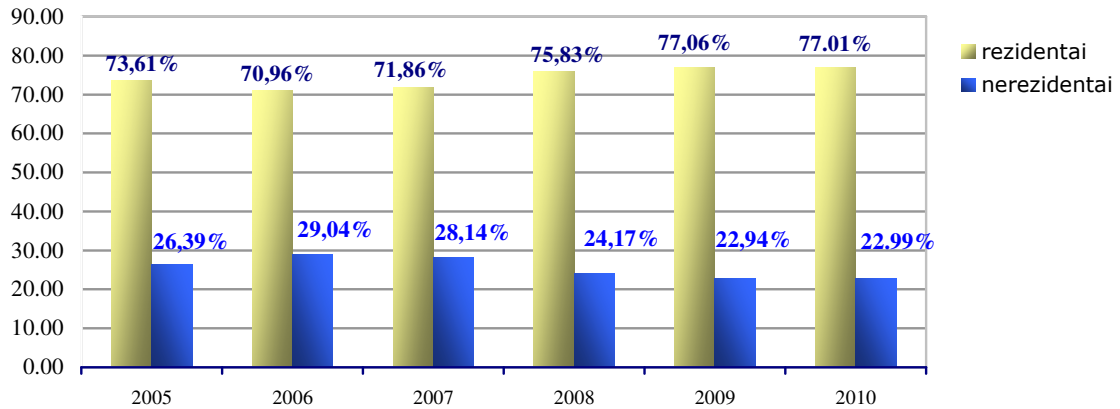
18. MAJOR SHAREHOLDERS

The shareholders of the Bank who owned more than 5 per cent of the authorised capital of the Bank as of 31 March 2010 are as follows:

<i>No.</i>	<i>Shareholder</i>	<i>Number of owned shares, units</i>	<i>Part of the owned authorised capital, per cent</i>	<i>Part of owned voting rights, per cent</i>	<i>Part of voting rights possessed together with related persons, per cent</i>
1.	The European Bank for Reconstruction and Development; address: One Exchange Square, London, Great Britain	28,965,344	16.06	16.06	41.35
2.	Gintaras Kateiva	12,760,214	7.07	7.07	41.35
3.	SLEZVB UAB; address: Vilniaus St. 167, Šiauliai	9,473,847	5.25	4.38	4.38

Sixteen shareholders of Šiaulių Bankas, i.e. the European Bank for Reconstruction and Development, Prekybos Namai Aiva UAB, Mintaka UAB, Alita Group of Companies, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė, and Donatas Savickas form a group which has the permission of the Bank of Lithuania to acquire a qualifying holding of the authorised capital and voting rights of the Bank amounting to and exceeding 50 per cent. As of 31 March 2010, this group held 41.35 per cent of the authorised capital and voting rights of the Bank.

Shareholders of the Bank by the place of residence:



/Translation of the diagrams:

rezydentai – residents

neresidentai – non-residents/

The major shareholders of the Bank do not have any extraordinary voting rights. The voting at the General Meeting of Shareholders is based on the number of shares held. One share of the Bank grants its holder one vote.

The biggest shareholder of the Bank is the European Bank for Reconstruction and Development, which controls 16.06 per cent of the capital of the Bank. The Bank's shares are freely traded in the stock exchange; therefore, persons willing to acquire these securities can do it and become shareholders of the Issuer. Laws and the Bank's Articles of Association grant property and non-property rights to shareholders and stipulate obligations for them. The shareholders control and manage the company indirectly through the Supervisory Council elected by them as well as directly through the General Meeting of Shareholders. The possibility of the shareholders to manage and control the company is defined by legal norms establishing rights and obligations of shareholders.

To the best knowledge of the Bank, it is not owned or otherwise controlled by any entity directly or indirectly. The Bank is not aware of any agreements, the operation of which may at a subsequent date result in a change in control of the Bank.

19. RELATED PARTY TRANSACTIONS

The related parties of the Bank include the Members of the Supervisory Council and the Board of the Bank, its shareholders acting jointly in accordance with the Shareholders Agreement, close family members of the aforementioned related parties, enterprises controlled by these persons, jointly controlled enterprises, or enterprises in which these related persons may have significant impact as well as subsidiaries of the Bank.

In the course of its regular activities, the Bank concludes banking transactions with the major shareholders, with the Members of the Supervisory Council and the Board, and its subsidiaries.

During 2009 and 2010, in the course of regular activities, a certain number of related party transactions were concluded. These transactions include settlements, loans, deposits, and foreign currency transactions.

The balances of the loans extended by the Bank to related parties, with the exception of subsidiaries, and balances of deposits accepted from them as of the end of the year are presented below:

	Balances of deposits		Balances of loans granted	
	31/03/2010	31/12/2009	31/03/2010	31/12/2009
Members of the Council and the Board	680	589	6,285	5,987
Other related parties (except for the subsidiaries of the Bank)	8,972	9,714	256,452	264,498

Transactions with the EBRD:

The Bank has received loans from the EBRD, which totalled to LTL 54,092 thousand as of 31 March 2010 (LTL 57,293 thousand as of 31 December 2009). Interests and other expenses related to the loans amounted to LTL 618 thousand as of 31 March 2010 (LTL 2,726 thousand as of 31 December 2009).

The balances of the transactions with subsidiaries are presented below:

	Balances of deposits		Balances of loans granted	
	31/03/2010	31/12/2009	31/03/2010	31/12/2009
Non-financial institutions	56	16	99,287	78,955
Financial institutions	2	43	113,267	111,430

Transactions with subsidiaries:

	31/03/2010	31/12/2009
Assets		
Call deposits	-	-
Loans	212,554	190,385
Debt securities	-	-
Equity securities	-	-
Dividends receivable	-	-
Other assets	24	28
Liabilities and shareholders' equity		
Call deposits	58	59
Loans	-	-
Debt securities	-	-
Other liabilities	-	-
Bank's investment	14,884	9,384

Income and costs of transactions with subsidiaries:

Income	31/03/2010	31/03/2009
Interest	2,714	3,083
Income from commissions	62	100
Income from foreign currency trade	1	-
Dividends	-	6,377
Other income	50	56
Costs		
Interest	-	-
Costs of commissions	-	-
Operating costs	2	5

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND LOSSES

20.1. Historical financial information

The financial reports of the Bank have been prepared in accordance with the International Business Accounting Standards. The financial statements of the Bank and the Group for 2007, 2008 and 2009 have been audited.

a) Report on the financial position of the Group and the Bank

In reports, "the Group" shall mean the following: the consolidated data on Šiaulių Bankas AB, Šiaulių Banko Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB and Šiaulių Banko Turto Fondas UAB.

a) REPORT ON THE FINANCIAL POSITION OF THE GROUP AND THE BANK

LTL thousand

	<u>31 December 2009</u>		<u>31 December 2008</u>		<u>31 December 2007</u>	
	Group	Bank	Group	Bank	Group	Bank
ASSETS						
Cash and money equivalents	168,708	168,651	142,939	142,927	230,540	230,528
Traded securities	3,094	121	3,689	714	18,664	9,539
Amounts receivable from other banks	2,214	2,214	1,220	1,220	593	593
Loans extended to clients	1,434,328	1,605,635	1,490,014	1,674,541	1,387,434	1,540,637
Receivable amounts of financial leasing	101,412	-	128,836	-	121,605	-
Investment securities:						
- intended for sale	86,236	72,083	36,860	21,336	24,682	13,726
- held until redemption	146,041	143,068	150,012	147,038	164,163	164,163
Investments in subsidiaries	-	9,384	-	2,135	-	2,135
Intangible assets	605	600	791	780	1,251	1,227
Long-term tangible assets	52,203	45,179	56,359	46,290	51,279	45,204
Corporate income tax overpayment	2,468	2,221	1,002	-	2,043	-
Deferred corporate income tax assets	5,416	5,224	-	-	-	-
Inventory	34,845	-	24,797	-	25,632	-
Other financial assets	26,775	1,215	28,918	7,810	14,236	611
Other non-financial assets	9,453	3,675	14,137	4,894	9,441	4,783
Total assets	2,073,798	2,059,270	2,079,574	2,049,685	2,051,563	2,013,146
LIABILITIES						
Liabilities to other banks and financial institutions	246,272	237,315	454,835	445,945	463,595	454,671
Amounts payable to clients	1,528,824	1,528,840	1,259,750	1,259,755	1,217,008	1,216,942
Debt securities issued	4,155	4,155	24,997	24,997	28,550	28,550
Special and borrowing funds	31,292	31,292	30,699	30,699	36,550	36,092
Corporate income tax liabilities of the current year	-	-	543	526	1,156	930
Deferred corporate income tax liabilities	-	-	98	98	225	225
Investment financial instruments	-	-	-	-	119	119
Other financial liabilities	2,110	-	3,845	-	4,977	-
Other non-financial liabilities	6,961	3,631	10,183	4,784	10,177	6,000
Total liabilities	1,819,614	1,805,233	1,784,950	1,766,804	1,762,357	1,743,529
PROPERTY						
Capital and reserves assignable to the Bank's shareholders						
Share capital	180,358	180,358	180,358	180,358	161,033	161,033
Share premiums	45,681	45,681	45,681	45,681	65,006	65,006
Inventory capital	2,611	2,611	2,611	2,611	2,611	2,611
Other reserves	10,000	10,000	-	-	-	-
Legal reserve	6,376	5,981	3,683	3,405	1,743	1,445
Financial assets revaluation reserve	(781)	590	(680)	(680)	360	360
Inappropriated profit	9,939	8,816	58,004	51,506	49,824	39,162
Minority portion	-	-	4,967	-	8,629	-
Total assets	254,184	254,037	294,624	282,881	289,206	269,617
Total liabilities and shareholders' equity	2,073,798	2,059,270	2,079,574	2,049,685	2,051,563	2,013,146

b) GENERAL INCOME REPORT OF THE GROUP AND THE BANK

thousand LTL

	The year ending					
	31 December 2009		31 December 2008		31 December 2007	
	Group	Bank	Group	Bank	Group	Bank
Income from interest and other similar income	142,800	140,474	140,234	134,457	101,641	94,570
Expenses on interest and other similar expenses	(113,601)	(112,878)	(92,268)	(91,723)	(57,423)	(56,996)
Net income from interest	29,199	27,596	47,966	42,734	44,218	37,574
Income from services and commissions	12,620	12,935	14,887	15,221	14,438	14,840
Expenses on services and commissions	(4,472)	(4,399)	(5,366)	(5,247)	(5,499)	(5,404)
Net income from services and commissions	8,148	8,536	9,521	9,974	8,939	9,436
Losses from impairment	(50,444)	(49,794)	(8,802)	(7,748)	(5,918)	(5,108)
Net profit from transactions in securities	4,945	321	6,009	(1,934)	4,036	532
Net profit from changes in currency exchange rates	2,402	2,402	2,582	2,571	3,435	3,444
Income from the sales of assets	(113)	14	249	8	10,640	8,447
Other operating income	1,130	508	1,141	559	2,580	499
Administrative and other operating costs	(36,647)	(31,713)	(41,078)	(35,831)	(38,412)	(32,737)
Operating profit (loss)	(41,380)	(42,130)	17,588	10,333,	29,518	22,087
Dividends from investments in subsidiaries	-	6,377	-	8,797	-	7,114
Profit (loss) before corporate income tax	(41,380)	(35,753)	17,588	19,130	29,518	29,201
Corporate income tax costs	5,829	5,639	(1,806)	(1,605)	(3,057)	(1,953)
Net profit (loss)	(35,551)	(30,114)	15,782	17,525	26,461	27,248
Other general income (loss)						
Financial assets revaluation profit (loss)	96	1,467	(1,118)	(1,118)	436	436
Deferred corporate income tax related to financial assets revaluation	(197)	(197)	78	78	(76)	(76)
Other general income (loss) less deferred corporate income tax	(101)	1,270	(1,040)	(1,040)	360	360
Total income (loss)	(35,652)	(28,844)	14,742	16,485	26,821	27,608
Net profit (loss) assignable to:						
Shareholders of the Bank	(35,551)	(30,114)	13,341	17,525	24,402	27,248
Minority	-	-	2,441	-	2,059	-
	(35,551)	(30,114)	15,782	17,525	26,461	27,248
Total income (loss) assignable to:						
Shareholders of the Bank	(35,652)	(28,844)	12,301	16,485	26,821	27,608
Minority	-	-	2,441	-	-	-
	(35,652)	(28,844)	14,742	16,485	26,821	27,608
Regular profit and profit calculated with potentially convertible shares per share (LTL per share)	(0.20)	(0.17)	0.07	0.10	0.16	0.18

c) Cash flow report of the Group and the Bank

	31 December 2009		31 December 2008		thousand LTL 31 December 2007	
	Group	Bankas	Group	Bankas	Group	Bankas
Key activities						
Received interest	140,836	138,683	138,355	132,578	97,145	90,367
Paid interest	(110,093)	(109,370)	(90,779)	(90,234)	(50,004)	(49,577)
Income from services and commissions	12,620	12,935	14,887	15,221	14,438	14,840
Expenses on services and commissions	(4,472)	(4,399)	(5,366)	(5,247)	(5,499)	(5,404)
Income from trade in securities held for trade	(268)	(268)	(1,261)	(1,289)	1,860	172
Net income from transactions in foreign currency	2,616	2,616	2,582	2,692	1,991	2,019
Cash flow from recovered previously written-off loans	313	72	195	82	518	442
Employee salaries and other related payments for employees	(20,399)	(17,809)	(25,088)	(21,936)	(20,745)	(17,908)
Other receipts; sale of assets	1,130	508	1,390	567	616	758
Other payments	(15,062)	(13,486)	(17,780)	(15,401)	(5,482)	(13,934)
Paid corporate income tax	(2,646)	(2,627)	(1,559)	(2,057)	(9,523)	(1,591)
Net cash flows from the key activities before changes in short-term assets and liabilities	4,575	6,855	15,576	14,976	25,315	20,184
Change in the assets and liabilities from the key activities:						
Decrease in traded securities	977	977	14,193	8,052	(16,670)	2,916
Decrease (increase) in loans to credit and financial institutions	14,864	43,343	2,665	(15,062)	10,736	10,656
Decrease (increase) in loans extended to clients	21,557	(16,592)	(117,302)	(121,688)	(526,072)	(548,618)
Decrease (increase) in other short-term assets	(5,529)	5,673	(14,352)	(5,564)	(5,855)	(653)
Increase in liabilities						
Decrease (increase) in liabilities to financial institutions	(206,352)	(206,419)	(51,257)	(51,333)	290,596	286,670
Increase in deposits	263,355	263,366	81,603	75,877	282,358	278,855
Increase (decrease) in special and borrowing funds	593	593	(5,851)	(5,393)	(6,255)	(5,915)
Increase (decrease) in other liabilities	(3,169)	(201)	(880)	5,515	(4,279)	(1,894)
Change	86,296	90,740	(91,181)	(109,596)	24,559	22,017
Net cash flows of the key activities	90,871	97,595	(75,605)	(94,620)	49,874	42,201
Investment activities						
(Acquisition of) long-term and intangible assets	(3,398)	(3,209)	(14,525)	(9,500)	(14,892)	(12,133)
Sale of long-term and intangible assets	3,217	2,932	6,498	5,970	11,042	276
(Acquisition of) securities held until redemption	(2,846)	(2,846)	(14,492)	(11,518)	(20,314)	(20,314)
Receipts from redemption of securities held until redemption	6,816	6,816	28,655	28,655	18,621	18,621
Dividends received	4,829	6,582	8,040	8,912	2,355	7,360
(Acquisition of) securities held for sale	(124,189)	(125,560)	(34,060)	(29,491)	(15,186)	(15,186)
Sale of securities held for sale	76,279	76,279	20,764	20,764	2,411	2,411
(Expenses) receipts for shares of subsidiaries	-	(12,022)	-	-	12,940	12,940
Net cash flows of investment activities	(39,292)	(51,028)	880	13,792	(3,023)	(6,025)
Financial activities						
Increase in the share capital	-	-	-	-	92,000	92,000
Dividends paid	(1)	(1)	(3,220)	(3,220)	(16,412)	(2,183)
Payments to minority shareholders from the decreased shareholder capital to subsidiaries	(4,967)	-	(6,103)	-	(14,229)	-
Debt securities issued	40,387	40,387	55,710	55,710	30,208	30,208
Debt securities redeemed	(61,229)	(61,229)	(59,263)	(59,263)	(29,436)	(47,219)
Net cash flows of financial activities	(25,810)	(20,843)	(12,876)	(6,773)	62,131	72,806
Net increase in cash and money equivalents	25,769	25,724	(87,601)	(87,601)	108,982	108,982
Cash and money equivalents as of 1 January	142,939	142,927	230,540	230,528	121,558	121,546
Cash and money equivalents as of 31 December	168,708	168,651	142,939	142,927	230,540	230,528

d) THE BANK'S EQUITY CAPITAL CHANGES REPORT

thousand LTL

	Share capital	Share premiums	Inventory capital	Financial assets revaluation	Legal reserve	Other reserves	Inappropriated profit	Total
31 December 2007	161,033	65,006	2,611	360	1,445		39,162	269,617
Dividends	-	-	-	-	-	-	(3,221)	(3,221)
Legal reserve formation	-	-	-	-	1,960	-	(1,960)	-
Increase of the share capital by distributing share premiums	19,325	(19,325)	-	-	-	-	-	-
Total income	-	-	-	(1,040)	-	-	17,525	16,485
31 December 2008	180,358	45,681	2,611	(680)	3,405		51,506	282,881
Legal reserve formation	-	-	-	-	2,576	-	(2,576)	-
Other reserves formation	-	-	-	-	-	10,000	(10,000)	-
Total loss	-	-	-	1,270	-	-	(30,114)	(28,844)
31 December 2009	180,358	45,681	2,611	590	5,981	10,000	8,816	254,037

THE GROUP'S EQUITY CAPITAL CHANGES REPORT

thousand LTL

	Assignable to the shareholders of the Bank							Minority part	Equity total	
	Share capital	Share premiums	Inventory capital	Financial assets revaluation	Legal reserve	Other reserves	Inappropriated profit			
31 December 2007	161,033	65,006	2,611	360	1,743	-	49,824	280,577	8,629	289,206
Dividends	-	-	-	-	-	-	(3,221)	(3,221)	-	(3,221)
Dividends minority	-	-	-	-	-	-	-	-	(6,103)	(6,103)
Legal reserve formation	-	-	-	-	1,940	-	(1,940)	-	-	-
Increase of the share capital by distributing share premiums	19,325	(19,325)	-	-	-	-	-	-	-	-
Total income	-	-	-	(1,040)	-	-	13,341	12,301	2,441	14,742
31 December 2008	180,358	45,681	2,611	(680)	3,683	-	58,004	289,657	4,967	294,624
Dividends minority	-	-	-	-	-	-	-	-	(3,923)	(3,923)
Legal reserve formation	-	-	-	-	2,514	-	(2,514)	-	-	-
Other reserves formation	-	-	-	-	-	10,000	(10,000)	-	-	-
Decrease in the minority shareholding	-	-	-	-	179	-	-	179	(1,044)	(865)
Total loss	-	-	-	(101)	-	-	(35,551)	(35,652)	-	(35,652)
31 December 2009	180,358	45,681	2,611	(781)	6,376	10,000	9,939	254,184	-	254,184

Grounds for the preparation of the statements

Accounting principles

Below is the description of the main accounting principles which formed the basis for the preparation of these financial statements.

The grounds for the preparation of the financial statements

The financial statements of the Bank and the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for the application in the European Union. The financial statements have been prepared in accordance with the concept of historical cost amended due to the revaluation of investment securities intended for sale, trade financial assets, and financial liabilities as well as all derivative financial instruments.

When preparing financial statements in accordance with the IFRS, assumptions and evaluations, which have impact on the amounts of the assets and liabilities being accounted and on the disclosure of the contingent assets and liabilities on the date of the drawing up of the financial statements as well as on the amounts of income and costs accounted for the reported period. Although these evaluations are based on the knowledge on the existing position and actions possessed by the senior management, the actual results may eventually differ from these evaluations.

The financial statements cover the consolidated financial statements of the Group and individual financial statements of the Bank. Such method of the provision of financial statements is used in order to ensure compliance with the format stipulated by the Bank of Lithuania, which is used for the purposes of financial reporting provided for by laws.

Amounts in the financial statements are presented in the national currency of Lithuania, litas (LTL). Since 2 February 2002, litas has been pegged to euro at a ratio of LTL 3.4528 = EUR 1.

During this reporting financial year, the Bank and the Group started to apply the new and revised interpretations of the IFRS and IFRIC:

IAS 1 “Presentation of Financial Statements” (revised in September 2007). The main change of the standard is related to the replacement of the profit (loss) statement with the statement of comprehensive income, which will also cover overall changes in equity other than those changes resulting from transactions with owners such as revaluation of financial assets intended for sale. Entities may present two reports: a separate profit (loss) statement or a statement of comprehensive income. The Group and the Bank have decided to present one statement of comprehensive income. According to the revision of the standards, it is also required to present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period when an entity makes retrospective restatement of items due to reclassifications, changes in an accounting policy, or correction of errors. The revised standard has an impact on the presentation of the financial statements of the Group and the Bank; however, it has had no impact on the recognition and evaluation of any specific transactions and balances.

“Improving disclosures about financial instruments” – amendment to IFRS 7 announced in 2009. Pursuant to the revision, it is required to present more comprehensive information on the fair value and liquidity risk. Entities will have to present an analysis of financial instruments performed by three fair value evaluation criteria. The revision provides that (a) the analysis of liabilities by timing should specify issued guarantee contracts with indication of the maximum amount of guarantee within the earliest period in which the guarantee could be called; and (b) it is required to disclose the remaining contractual maturity if the contractual maturities are essential for the understanding of the timing of the cash flows. An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The new disclosures are presented in these financial statements.

IFRS 8 “Operating Segments”. This standard shall apply to companies whose debt and equity securities are traded in regulated markets or which file, or are in the process of filing, their (consolidated) financial statements with regulatory organisations for the purpose of issuing any class of instruments in a public market. IFRS 8 requires that a company should provide financial and descriptive information on operating segments on the basis of the information prepared in the course of preparation of the company’s internal financial statements. The application of IFRS 8 increase the number of the segments presented in

these financial statements because the segment “Banking Activities” has been split into Šiauliai, Vilnius, Klaipėda, and Centre segments.

Below is the list of new or revised interpretations of the IFRS and IFRIC effective in 2009 which, however, are not relevant to the activities of the Bank and the Group:

- **IAS 23 “Borrowing Costs” (revised in March 2007)**. This standard has no impact on the financial statements of the Bank and the Group.

- **Modifications of the International Financial Reporting Standards announced in May 2008**. These amendments do not have any significant impact on the financial statements of the Bank and the Group.

- **“Puttable financial instruments and obligations arising on liquidation” – amendments to IAS 32 and IAS 1**. This amendment has no impact on the financial statements of the Bank and the Group.

- **“Vesting conditions and cancellations” – amendment to IFRS 2**. This amendment has no impact on the financial statements of the Bank and the Group.

- **IFRIC 12 “Service Concession Arrangements”**. This interpretation has no impact on the financial statements of the Bank and the Group.

- **IFRIC 13 “Customer Loyalty Programmes”**. This interpretation has no impact on the financial statements of the Bank and the Group.

- **IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”**. This interpretation has no impact on the financial statements of the Bank and the Group.

- **“Cost of investment in a subsidiary, jointly controlled entity or associate” – IFRS 1 and IAS 27 amendment**. This amendment has no impact on the financial statements of the Bank and the Group.

Announced standards that have not entered into effect

- **IFRIC 15 “Agreements for the Construction of Real Estate”** effective for annual periods beginning on or after 1 January 2009. Upon approval for application in the European Union, the interpretation is applicable for the aforementioned periods beginning after 31 December 2009. Earlier application is permitted. The Group is currently evaluating the impact of this amendment on the financial statements.

- **“Embedded derivatives” – amendments of IFRIC 9 and IAS 39** effective for annual periods ending on or after 30 June 2009. Upon approval for application in the European Union, the interpretation is applicable for the aforementioned periods beginning on or after 31 December 2009. Earlier application is permitted. These amendments will have no impact on the financial statements of the Bank and the Group.

- **IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”** effective for annual periods beginning on or after 1 October 2008. Upon approval for application in the European Union, the interpretation is applicable for the aforementioned periods beginning on or after 30 June 2009. Earlier application is permitted. This interpretation will have no impact on the financial statements of the Bank and the Group.

- **IFRIC 17 “Distributions of Non-cash Assets”** effective for annual periods beginning on or after 1 July 2009. Upon approval for application in the European Union, the interpretation is applicable for the aforementioned periods beginning after 31 October 2009. Earlier application is permitted. This interpretation will have no impact on the financial statements of the Bank and the Group.

- **IFRIC 18 “Transfers of Assets from Customers”**. The interpretation shall be applied prospectively to transfers of assets from customers received on or after 1 July 2009. Earlier application is permitted. Upon approval for application in the European Union, IFRIC 18 shall apply to the aforementioned periods beginning after 31 October 2009. Earlier application is permitted. This interpretation will have no impact on the financial statements of the Bank and the Group.

- **“Classification of Rights Issues” – amendment to IAS 32 announced in October 2009**. The amendment shall be effective for annual periods beginning on or after 1 October 2010. These amendments will have no impact on the financial statements of the Bank and the Group.

- **Amendment to IAS 27 “Consolidated and Separate Financial Statements” (revised in October 2008)** effective for annual periods beginning on or after 1 July 2009. This standard will have no impact on the financial statements of the Bank and the Group.

- **IFRS 3 “Business Combinations” (revised in January 2008)** effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on

or after July 1 2009. This standard will have no impact on the financial statements of the Bank and the Group.

Amendment to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (and resulting amendments to IFRS 1) effective for annual periods beginning on or after 1 July 2009. This amendment was announced by the International Accounting Standards Board in the course of the implementation of the annual improvement project in May 2008. The amendment clarifies that if an entity sells a part of a subsidiary involving loss of control of the subsidiary, the entity must classify the assets and liabilities of the subsidiary as held-for-sale assets and liabilities. The clarified directions should be applied prospectively from the date when the entity first applied IFRS 5. Currently, the Group and the Bank are evaluating which impact this amendment will have on the financial statements.

“Eligible hedged items” – amendment to IAS 39 effective retrospectively for annual periods beginning on or after 1 January 2009. These amendments will have no impact on the financial statements of the Bank and the Group.

IFRS 1 “First time Adoption of International Financial Reporting Standards” (revised in December 2008) effective for financial statements prepared according to the IFRS for the first time for the period beginning on or after 1 July 2009. Upon approval for application in the European Union, the amended standard shall apply to annual periods beginning on or after 31 December 2009. Earlier application is permitted. This standard will have no impact on the financial statements of the Bank and the Group.

“Group cash-settled share-based payment transactions” – amendments to IFRS 2 effective for annual periods beginning on or after 1 January 2010. Application in the European Union has not been approved. These amendments will have no impact on the financial statements of the Bank and the Group.

“Additional exemptions applicable to first-time adopters of the IFRS” – amendments to IFRS 1 effective for annual periods beginning on or after 1 January 2010. Application in the European Union has not been approved. These amendments are not expected to have any significant impact on the financial statements of the Bank and the Group.

Clarifications to the International Financial Reporting Standards announced in April 2009. Amendments to IFRS 12, IAS 38, and IFRIC 9 and 16 shall be effective for annual periods beginning on or after 1 July 2009. Amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, and IAS 39 shall be effective for annual periods beginning on or after 1 January 2010. Application in the European Union has not been approved. These amendments are not expected to have any significant impact on the financial statements of the Bank and the Group.

Amendments to IAS 24 “Related Party Disclosures” announced in November 2009. The amended standard shall be effective for annual periods beginning on or after 1 January 2011. Application in the European Union has not been approved. The amendments of the standard provide for simplified information disclosure requirements for state-owned enterprises and specify the definition of a related party. Currently, the Bank and the Group are evaluating which impact the amended standard will have on disclosures in financial statements.

IFRS 9 “Financial Instruments Part 1: Classification and Measurement” announced in November 2009. The amendment shall be effective for annual periods beginning on or after 1 January 2013. Application in the European Union has not been approved. IFRS 9 replaces those parts of IAS 39, which are related to the classification and measurement of financial assets. The key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and (ii) the asset’s contractual cash flows represent only payments of principal and interest (that is, it has only ‘basic loan features’). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value

gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Currently, the Group and the Bank are evaluating which impact this standard will have and study when it will be applied to the level of the Group.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” shall be effective for annual periods beginning on or after 1 July 2010. Application in the European Union has not been approved. This interpretation will have no impact on the financial statements of the Bank and the Group.

“Prepayments of a Minimum Funding Requirement” – amendment to IFRIC 14 effective for annual periods beginning on or after 1 January 2011. Application in the European Union has not been approved. These amendments will have no impact on the financial statements of the Bank and the Group.

“Limited exceptions from the requirement to disclose comparative data applicable to first-time adopters of the IFRS” – amendments to IFRS 1 effective for annual periods beginning on or after 1 January 2010. Application in the European Union has not been approved. These amendments will have no impact on the financial statements of the Bank and the Group.

Consolidation of subsidiaries

Subsidiaries mean all enterprises (including special-purpose enterprises), whose financial and operating policy is controlled by the Group. Normally, such control is ensured by holding more than a half of the voting rights. In order to determine whether the Group controls or not another enterprise, the existence and influence of possible voting rights, which may be exercised and converted, shall be taken into account. Subsidiaries shall be deemed as to be fully controlled from the date when the Group acquires the control of these enterprises and to be no longer controlled from the date when this control is lost.

The Group interprets transactions with minority shareholders as transactions with parties which are third parties in relation to the Group. From sales to minority shareholders, the Group receives profit or loss, which is accounted on the general income account. Purchase from minority shareholders results in goodwill, which is formed by the difference between any paid remuneration and the acquired corresponding part of the book value of the subsidiary's net assets.

Transactions between the enterprises of the Group, balances and unrealised gain from transactions between the enterprises of the Group are eliminated. Unrealised losses are also eliminated unless it is possible to prove after the transaction that the value of the transferred assets has decreased. Where it was necessary, the accounting principles of the subsidiaries were modified in order to bring them into compliance with the accounting principles applicable in the Bank.

In separate financial statements, subsidiaries are accounted at the acquisition cost, i.e. income from investments is recognised only to the extent which the Bank receives as the appropriation of the accumulated (after the acquisition date) profit of the enterprise. Amounts received from subsidiaries in excess of such profit appropriation are accounted as reduction in the investment value.

Foreign currency recalculation

(a) Functional and presentation currency

Data of financial statements of each enterprise of the Company are presented in the currency which is the currency of the primary economic environment in which the enterprise carries out its activities (functional currency). Amounts in consolidated financial statements are presented in litas, which is the functional and presentation currency of the Company.

(b) Transactions and balances

All monetary assets and monetary liabilities in foreign currency are recalculated into litas (LTL) in accordance with the official foreign currency exchange rate of the Bank of Lithuania effective at the end of the reporting period. Profit all loss that resulted from this recalculation is accounted in the general income statement for the corresponding period. All non-monetary liabilities and assets are recalculated in accordance with the exchange rate effective at the time of acquisition.

Transactions in foreign currencies are accounted in litas in accordance with the exchange rate effective at the time of performing the transaction. Exchange rate differences due to transactions in foreign currencies are accounted in the general income statement at the time of performing the transaction with the use of the exchange rate effective at that time.

Investment financial instruments

Investment financial instruments including forwards, swaps, and options (both issued and purchased) as well as other derivative financial instruments at the beginning are accounted at the book fair value on the date of concluding the investment financial instrument contract. Fair values are determined according to market prices or option pricing methods. All investment financial instruments are recognised as assets if the fair value is positive and as liabilities if the fair value is negative.

Changes in derivative financial instruments held for trade are included in the net trade income.

Certain transactions in derivative financial instruments, although they provide effective economic risk management (hedging) effect in accordance with the Risk Management Policy of the Group, are not considered to be risk management instruments according to certain provisions of IAS 39; owing to this, they are accounted as investment financial instruments held for trade, while profit and loss due to changes in their fair value are calculated in the general income statement.

Clearance of financial instruments

Financial assets and liabilities are cleared and disclosed in the balance sheet in their fair value only when there exists legally justified right to clear the recognised amounts and when it is intended to clear such amounts in their fair value, or to realise the assets and execute the liabilities simultaneously.

Recognition of income and costs

Income from interest and costs of interest are recognised in the general income statement on an accrual basis with the use of the actual interest rate according to actual purchase prices. The actual interest rate method is the method for the calculation of amortised cost of financial assets and liabilities and income from interest as well as distribution of costs of interest over the corresponding period. When calculating the actual interest rate, the Group evaluates cash flows with due account for the contracts signed regarding terms and conditions of financial instruments (e.g. option of premature payment) but does not take into account future losses from loans.

The calculation covers all payments agreed between the parties or received, which form an integral part of the actual interest rate, cost of the transactions, and all other premiums or discounts. The actual interest rate accurately discounts flows of future monetary payments or receipts over the expected life of the financial instrument or a shorter period to the net book value of the financial asset or liabilities.

Loan charges are calculated as the adjustment of the actual interest rate for each extended loan separately. Other commissions and other income and costs of similar nature are recognised as earned or incurred.

Receipts received during a reporting period, when they have not been recognised as income of the period, are accounted on the balance sheet as income (liabilities) of the future period, and expenses incurred during a reporting period, when they have not been recognised as costs, are accounted in the balance sheet as costs (assets) of the future period.

Income from dividends

Dividends are recognised in the general income statement as the established right of the Bank or the Group to receive them.

Taxes

a) *Corporate income tax*

According to the Law of the Republic of Lithuania on Corporate Income Tax, taxable profit is subject to a 20 per cent corporate income tax in 2009. Costs of taxes accounted in these financial statements are substantiated by the calculations performed by the senior management in accordance with the tax laws of the Republic of Lithuania. In 2008, a rate of the corporate income tax amounting to 15 per cent was in effect, while the rate of the corporate income tax was 15 per cent starting 1 January 2010. Therefore, deferred corporate income tax assets and liabilities recognised as on 31 December 2009 were calculated with application of a 15 per cent tax rate. Deferred corporate income tax assets and liabilities recognised as on 31 December 2009 were calculated with application of a 15 per cent tax rate. Deferred corporate income tax assets and liabilities recognised as on 31 December 2008 were calculated with application of a 20 per cent tax rate.

Deferred corporate income tax is calculated with the application of the liability method for temporary differences emerging between the tax base of assets and liabilities and their book value in financial statements. Deferred corporate income tax is calculated with application of the tax rates (and laws) which are approved or essentially approved as of the date of the preparation of the balance sheet, and

which are expected to be applied when the relevant deferred corporate income taxes assets will be realised or the deferred corporate income tax liability is covered.

The main temporary differences emerge due to accrued tax losses, revaluation of securities, and differences between the residual value of long-term tangible assets and accrued costs and the tax base. Deferred corporate income tax is calculated with application of the tax rates which are approved or essentially approved as of the date of the preparation of the balance sheet. However, deferred corporate income tax is not recognised if it forms due to the initial recognition of assets or liabilities that result other than from those in the method of business combination, which has no impact either on the book or taxable profit or loss as of the day of the transaction.

Deferred corporate income tax assets are recognised only when it is probable that taxable profit, which will be sufficient to be used for the temporary differences, will be received in future.

b) Other taxes

The tax on real property accounts for up to 1 per cent of the tax value of long-term real property and real property taken over for debts. The Bank also pays land and land rent taxes, contributions to the guarantee fund, and social insurance contributions. In the general income statement, these taxes are included in other costs.

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents include the funds, the maturity of which is shorter than 3 months from the date of acquisition thereof, including cash and funds of unrestricted use in the Bank of Lithuania, short-term treasury bonds and other corresponding bonds, funds receivable from banks and financial institutions, and short-term governmental securities.

Financial assets

Financial assets are divided into the following 4 groups: financial assets evaluated at fair value through the general income statement (the Group and the Bank [have] only one sub-group, i.e. assets held for trade), investments held until redemption, loans and amounts receivable, and financial assets held for sale. All financial assets with the exception of financial assets, which are valued at fair value through the general income statement, are initially accounted at fair value plus transaction conclusion expenses.

Trading securities

Trading securities mean securities acquired for earning profit from short-term fluctuations in prices and trade margin, or securities included in the securities portfolio held for earning short-term profit. Trading securities are initially accounted at fair value based on the transaction price. After the first recognition, trading securities are valued at fair values on the basis of purchasing prices quoted in the market or determined with the application of the discounted cash flow model if the market price provides an unreliable reflection of the situation. Realised profit and loss from transactions in trading securities are calculated in the net trading income item. Income from interest earned from holding securities is accounted as income from interest of the reporting period. Received dividends are accounted in the income from dividends item.

All purchases and sales of trading securities, which should be transferred in accordance with time schedules stipulated by supervisory institutions or market conventions (so-called routine purchases and sales) are recognised on the day of transaction, i.e. when the Group undertook to purchase or sell the assets. In all other cases, such transactions are considered to be derivative ones until the settlement date.

Securities intended for sale and held until redemption

Financial assets intended for sale mean financial assets other than derivatives assigned to the assets intended for sale or non-assigned to loans and amounts receivable, investments held until redemption, or financial assets accounted at fair value through the general income statement. The senior management establishes how its investments at the time of the acquisition thereof will be classified.

Securities intended for sale are valued at the fair value in accordance with market selling prices or on the basis of the results of applying the discounted cash flow model. Non-realised profit and loss, which resulted from changes in the fair value of securities intended for sale, are accounted directly through equity except for impairment losses and foreign currency exchange result. When the recognition of such assets is terminated, the whole revaluation result accrued in equity is transferred to the profit (loss) statement. However, interest for such financial assets calculated with application of the actual interest rate is recognised as income of the reporting period.

Investments held until redemption are financial assets other than derivatives with fixed payments or payments otherwise established and with a fixed period, which is intended to be and could be held by the senior management of the Group until maturity. Securities held until redemption are valued at amortised cost with the use of the actual interest rate and reducing the received result by the provisions for impairment. The value of financial assets is impaired if their book value exceeds the valued recoverable value.

Should the Group decide to sell a portion of securities held until redemption, which is greater than an insignificant portion, the whole category would be reclassified as securities intended for sale.

Income from interest earned from holding of securities is accounted as income from interest of the reporting period. Received dividends for equity securities classified as trading securities or securities intended for sale are accounted as income from dividends when the Bank's right to receive them is established.

All routine purchases and sales of securities are recognised on the day of the transaction, i.e. when the Group undertakes to purchase or sell the assets. All other purchases and sells are considered to be forward transactions until the settlement date.

Loans

Loans and amounts receivable are financial assets other than derivatives with fixed payments or payments established otherwise, which are not quoted in the active market, with the exception of the following: a) assets which the Bank intends to sell immediately or in the near future and which should be classified as assets held for trade as well as assets which are classified by the Bank in the general income statement at the time of the initial recognition as those accounted at their fair value through the general income statement; b) assets which are classified by the Bank at the time of the initial recognition as assets intended for sale; or c) assets for which the holder cannot recover the whole of the initial investments (*due to reasons other than credit impairment*). Loans are valued at amortised cost. All loans and advance payments are recognised when the money are transferred to the borrowers. If impairment is recognised, it reduces the book value of loans and is accounted in the general income statement as losses from impairment.

Impairment of financial assets

Losses from impairment of loans and investments held until redemption are recognised when objective proofs that the Group will not be able to recover all of the amounts arise. Losses from impairment are calculated as the difference between the book value and recoverable value, which equals to the current value of probable cash flows including recoverable amounts in relation to guarantees and pledged/mortgaged property discounted by the interest rate effective at the initial moment of the contract.

First of all, the Group evaluates whether or not there are objective proofs that values of individually valued significant loans have decreased, and also evaluates the impairment of jointly valued loans and individually valued insignificant loans. If the Group establishes that there are no objective proofs of the impairment of individually valued loans, irrespective of whether they are significant or not, it includes these loans in groups with similar credit risk characteristics and values them in regard to impairment jointly. Loans, which are valued individually and for which losses from impairment have been recognised or are recognised at a later time, are not included in loans to be valued jointly in regard to impairment.

The amount of these losses is determined as the difference between the book value of assets and current value of future cash flows (except for future credit losses which have not yet been incurred) discounted with the use of the initial actual interest rate of the financial assets. The value of the assets is adjusted by the impairment amount using the provisions account and recognising the amount of the loss in the profit (loss) statement. If a variable interest rate is established for a loan or investment held until redemption, the discount rate applicable to the evaluation of impairment losses equals to the current rate of calculated interest stipulated in the contract. As a matter of fact, the Group can evaluate the impairment on the basis of the fair value and the price of the monitored market.

The calculation of the current value evaluated future cash flows from pledged financial assets reflects cash flows which may emerge due to the take-over of these assets, less the expenses of the recovery and sale of the pledged assets irrespective of whether the take-over of these assets is probable or not.

When a loan is not recovered, it is written off from provisions for the impairment of loans. Such loans are written off after performing all obligatory procedures and evaluating the loss amount.

If the amount of impairment losses decreases in a later period and this decrease can be objectively associated with the event that occurred after the recognition of the impairment (e.g. improvement in the credit rating of the borrower), then the previously recognised impairment loss is restored by adjusting the provisions account). The restored amount is accounted in the item of loans impairment of the general income statement.

When evaluating whether the value of investments intended for sale has impaired or not, it is taken into account whether there is any significant or long-term impairment of the fair value of those securities below their cost. If such attributes are established for financial assets intended for sale, the accrued loss (to be calculated as the difference between the cost and the current fair value, less the impairment loss recognised in the general income statement) is transferred from other general income and recognised in profit (loss).

Impairment of non-financial assets

Assets are verified for possible impairment when certain events or circumstances indicate that there is risk of non-recovering the book value of the assets. Losses from impairment are recognised to the amount by which the book value exceeds the recoverable value. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of impairment verification, all assets are grouped into minimal units, to which independent cash flows can be appropriated (cash-flow-creating units). The impairment test can also be performed for individual asset units when the fair value less selling expenses or use value can be evaluated reliably. Non-financial assets except for goodwill, for which impairment was calculated and is revised on each date of statements for possible restoration of impairment.

Reverse repurchase transactions

Securities acquired under reverse repos are accounted as loans and advance payments to banks and clients. The difference between the purchase and repurchase price is accounted as interest and accrued during the whole contract period using the actual interest rate method. Securities received under reverse repos are not recognised in financial statements unless they are sold to third parties and, in this case, acquisition and sale are accounted in the general income report as trading income.

Reverse repos are classified as loans and receivable amounts and accounted at amortised cost.

Intangible assets

Intangible assets are accounted at the purchasing cost reduced by the amount of accumulated amortisation. Intangible assets are amortised by the straight-line method over the assessed useful life in accordance with the rates specified in Note 17.

Long-term tangible assets

Long-term tangible assets are accounted at the purchasing cost less the accumulated depreciation. Depreciation is calculated using the straight-line method with pro rata write-off of the purchasing cost of each individual asset unit over the assessed useful life of the assets.

Depreciated assets are verified for impairment when events or changes in circumstances indicate that there is risk of non-recovering the book value of the assets. The book value of the assets is immediately reduced to its recoverable value if the book value of the assets exceeds the evaluated recoverable value. The recoverable value is the asset fair value less the selling expenses or the asset use value, whichever is greater. The value of the long-term tangible assets of the Group was not impaired as of 31 December 2009 and 31 December 2008.

Profit or loss from the sale of long-term tangible assets is determined on the basis of their book value and is included in the general income statement.

On each date of the preparation of financial statements, the periods of the liquidation value and useful life of the assets are revised and, if necessary, correspondingly amended. Asset maintenance and operation expenses are included in the general income statement as those incurred. Significant asset improvements are capitalised and depreciated over the remaining useful life of the improved assets. The useful lives of long-term assets are presented in Note 18.

Lease and leasing

- a) *The enterprise of the Group is a lessee*

Lease

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under lease agreements are recognised as costs in the general income statement on a pro rata basis over the whole period of the lease agreement.

b) *The enterprise of the Group is a lessor*

Lease

Assets leased out under lease agreements are accounted in the balance sheet as long-term tangible assets. These assets are depreciated over their useful life with application of the same depreciation rates as for any other long-term assets used in the activities. Lease income is recognised by the straight-line method over the whole lease period.

Finance lease (leasing)

Finance lease (leasing) means lease when the whole risk and benefit related to the ownership is essentially transferred. Eventually, the right of ownership can either be transferred or not. When the assets are held for finance lease (leasing), the current value of leasing payments is recognised as an amount receivable. The difference between the total value of amounts receivable and the current value of amounts receivable is recognised as unearned income from financial activities. Income from leasing is recognised over the lease period with the application of the net investment method (before taxes), which reflects the constant periodical rate of return.

Inventory

The inventory held by the Group consists of apartments intended for sale and real estate projects under development. Inventory is accounted at a value lower than the cost and net realisable value. The net realisable value of apartments intended for sale is formed by the market value less expected selling expenses. The net realisable value of real estate projects under development is calculated by deducting related discounted cash flows of development and sale expenses from discounted cash flows which will be received after completion of the projects.

Debts

Debts (including issued debt securities) are initially recognised at their fair value, which consists of the net amount of funds received less the incurred costs of the transaction. Later on, debts are accounted at amortised cost, and the difference between the received net receipts and recovery value is recognised in the general income statement over the whole loan period with the application of the effective interest rate method. Debts are recognised on the day of settlement.

Provisions

Provisions are recognised when: the Group has current legal or constructive obligation resulting from past events; it is 'more likely than not' it will be required to use resources for the performance of the obligation; and the amount can be estimated reliably.

Dividends

Dividends of the Bank's shares are recognised in the equity in the period when they are announced.

Payments to employees

a) *Social insurance contributions*

The enterprises of the Group pay social insurance contributions for their employees to the State Social Insurance Fund (hereinafter referred to as the Fund) in accordance with the established contributions plan pursuant to the requirements of the legal acts of the Republic of Lithuania. The established contributions plan means the plan in accordance with which the Group pays fixed-amount contributions to the Fund and has no legal or constructive obligation of further payment of contributions if the Fund does not have sufficient assets for paying all premiums to employees in relation to their service during the current and previous periods. Social insurance contributions are recognised as costs in accordance with the accrual basis principle and assigned to labour remuneration costs. Every year, the Fund appropriates social insurance contributions for pensions, health, illness, maternity, and disability payments.

b) *Severance payments*

Severance payments to employees are paid in case of termination of employment relations with an employee prior to the day of his normal resignation or in case of a decision of an employee to resign on a voluntary basis in exchange for such payments. The Group recognises severance payments when it obviously undertakes to terminate employment relations with current employees in accordance with a detailed official plan without any possible cancellation thereof, or undertakes to pay severance payments after they were proposed for resignation on a voluntary basis. If severance payments fall due later than within 12 months from the date of the balance sheet, they should be discounted to the current value. Severance payments are accounted in the item of labour remuneration of the general income statement and in the other liabilities item of the balance sheet.

Information about the segments

Activity segments are presented with regard to the information considered by the Board of the Group (the senior decision-maker), which is responsible for the distribution of resources to activity segments and their performance assessment.

The Group has the following seven business segments:

- Šiauliai Region: covers banking (retail and business) activities developed in Šiauliai region;
- Vilnius Region: covers banking (retail and business) activities developed in Vilnius region;
- Klaipėda Region: covers banking (retail and business) activities developed in Klaipėda region;
- Centre: covers treasury and auxiliary services (IT, management, administration, and other services) provided to other segments developing banking activities within the Group;
- Leasing Activities: covers services of finance and operating lease provided to the Group's clients;
- Investment Management: covers the management of the Group's investments in equity securities;
- Real Estate Development: covers the development of real estate projects.

Since the activities of the Group's segments, except for real estate development, are financial and majority of the Group's income are incomes from interest, the Board of the Group, when evaluating the activities of the segments, first of all takes into consideration net income from interest. Because of this reason, net income from interest is presented in the statement of the Group's segments. Since the Board also analyses other indicators of the general income statement by each segment, these segments are presented in the statement of the Group's segments.

Transactions with other business segments are performed at market prices. Incomes from third parties to be presented to the Board of the Bank are accounted on the same principles as in the consolidated general income statement. Funds are assigned to segments, and costs of assigning are shown in the line of internal net incomes.

The interest rate paid for the distributed expenses is based on the Group's costs of ownership. There no other significant inter-segment incomes or costs in the Group.

The main indicators of statements to be presented to the senior management of the Group include profit (loss) before taxes and net profit (loss), which are comprised of net income from interest, net income from commissions, loan impairment costs, operating costs, amortisation and depreciation costs, and other net incomes.

Activities of a asset management trustee

Assets and proceeds arising from them together with related obligations to return these assets to clients are not accounted in financial statements when the Group acts as a representative, trustee, or agent.

Fair value of assets and liabilities

Fair value means the amount at which an asset could be transferred or a liability could be performed under market conditions.

Financial guarantee agreements

Financial guarantee agreements mean agreements according to which the guarantor shall be obliged to make specific payments in order to cover the losses of the warrantee due to the failure of a specific borrower to timely pay in accordance with the terms and conditions of a financial instrument. Such financial guarantees for clients are provided to banks, financial institutions, and other organisations in order to ensure the repayment of loans, overdrafts, and other banking products.

Financial guarantees are initially recognised in financial statements at their fair value at the date of the provision of the guarantee. After the initial recognition, the Bank's obligations under such guarantees

are evaluated at a greater amount out of the following two: (i) the amount of the initial recognition less the estimated depreciation in order to recognise the earned income from commissions in the general income report over the guarantee period, and (ii) the best evaluation of the expenses which may be required for the performance of the financial liability that arise on the day of the balance sheet. These evaluations are established on the basis of similar transactions in the past and historical losses by supplementing them with decisions adopted by the senior management. Any increase in a guarantee-related obligation is to be recognised in the other operating costs item of the general income statement.

Shares issue costs

Costs directly attributable to the issue of new shares, less taxes, are accounted in equity with deduction of the received revenues.

Explanations to accounting

Explanations to accounting are presented in the Bank's annual report for 2009 together with financial statements and the auditor's opinion. These documents are available for review on the website of the Bank by the following address: www.sb.lt, and on the website of the Central Storage Facility by the following address: www.crib.lt.

20.3. Financial statements

The non-consolidated statements of the Bank and consolidated statements of the Group of the Bank are presented in Part 20.1 "Historical Financial Information".

20.4. Auditing of historical annual financial information

A statement about the auditing of the historical financial information

The financial statements presented in the Prospectus have been audited by auditors

The auditing of Šiaulių Bankas AB for 2007-2009 has been performed by PricewaterhouseCoopers UAB. Company address: J. Jasinskio St. 16B, LT-01112 Vilnius, phone: (8-5) 2392-300, fax: (8-5) 2392-301. The company was registered on 29 December 1993, No: UĮ 93-369, company code: 111473315.

The independent auditing has been performed by the following auditors:

2007 – Christopher C. Butler, Membership No 7986452 (The Institute of Chartered Accountants in England and Wales) and Rasa Radzevičienė, Auditor's Certificate No 000377.

2008-2009 – Christopher C. Butler, Membership No 7986452 (The Institute of Chartered Accountants in England and Wales) and Rimvydas Jogėla, Auditor's Certificate No 000457.

20.6. Interim and other financial information

Below are the interim statements of the Bank for Quarter I of 2010 prepared in accordance with the requirements of the International Accounting Standards.

In the statements as of 31 March 2010, "the Group" shall mean the following: the consolidated data of Šiaulių Bankas AB, Šiaulių Banko Lizingas UAB, Šiaulių Banko Investicijų Valdymas UAB, Šiaulių Banko Turto Fondas UAB, Minera UAB and SBTF UAB.

The interim financial information presented below has not been audited

BALANCE SHEET

thousand LTL

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
ASSETS				
Cash and cash equivalents	151,870	151,826	168,708	168,651
Amounts receivable from other banks	2,214	2,214	2,214	2,214
Trading securities	50,388	47,357	3,094	121
Investment financial instruments	55	55	-	-
Loans extended to clients	1,400,860	1,583,284	1,434,328	1,605,635
Receivable amounts of financial leasing	91,709	-	101,412	-
Investment securities:				
- intended for sale	136,801	122,638	86,236	72,083
- held until redemption	148,099	141,527	146,041	143,068
Investments in subsidiaries	-	14,884	-	9,384
Intangible assets	539	535	605	600
Long-term tangible assets	52,715	44,527	52,203	45,179
Corporate income tax overpayment	2,464	2,221	2,468	2,221
Deferred corporate income tax assets	6,232	6,044	5,416	5,224
Other assets	78,548	7,539	71,073	4,890
	2,126,517	2,124,651	2,073,798	2,059,270
Assets total				
LIABILITIES				
Liabilities to other banks and financial institutions	249,615	249,617	246,272	237,315
Amounts payable to clients	1,591,286	1,591,342	1,528,824	1,528,840
Special and borrowing funds	25,971	25,971	31,292	31,292
Debt securities issued	4,210	4,210	4,155	4,155
Deferred corporate income tax liabilities	39	-	-	-
Other liabilities	6,960	3,828	9,071	3,631
	1,878,081	1,874,968	1,819,614	1,805,233
Liabilities total				
EQUITY				
Capital and reserves appropriable to shareholders of the parent Bank				
Share capital	180,358	180,358	180,358	180,358
Share premiums	45,681	45,681	45,681	45,681
Inventory capital	2,611	2,611	2,611	2,611
Legal reserve	6,667	6,422	6,376	5,981
Total reserve for covering possible asset losses	10,000	10,000	10,000	10,000
Financial assets revaluation reserve	2,047	3,136	(781)	590
Unappropriated profit	1,072	1,475	9,939	8,816
	248,436	249,683	254,184	254,037
Minority portion	-	-	-	-
	248,436	249,683	254,184	254,037
Equity total	248,436	249,683	254,184	254,037
Liabilities and shareholders' equity total	2,126,517	2,124,651	2,073,798	2,059,270

GENERAL INCOME STATEMENT

	31 March 2010		31 March 2009	
	Group	Bank	Group	Bank
Income from interest and other similar income	30,321	29,434	37,404	35,855
Expenses on interest and other similar expenses	(24,778)	(24,684)	(28,614)	(27,601)
Net income from interest	5,543	4,750	8,790	8,254
Income from services and commissions	2,618	2,669	3,068	3,162
Expenses on services and commissions	(957)	(942)	(1,068)	(1,051)
Net income from services and commissions	1,661	1,727	2,000	2,111
Losses from impairment	(9,603)	(8,957)	(8,895)	(8,147)
Net profit from transactions in securities	1,140	1,140	4,831	207
Net profit from foreign currency transactions	466	466	614	614
Profit from sales of assets	34	3	(8)	1
Other income	47	120	236	117
Administrative and other operating costs	(8,670)	(7,449)	(9,713)	(8,405)
Operating profit	(9,382)	(8,200)	(2,145)	(5,248)
Dividends from investments in subsidiaries	-	-	-	6,377
Profit before corporate income tax	(9,382)	(8,200)	(2,145)	1,129
Corporate income tax costs	1,257	1,300	-	-
Annual profit	(8,125)	(6,900)	(2,145)	1,129
Other general income (loss)				
Financial assets revaluation profit (loss)	3,026	3,026	118	118
Deferred corporate income tax related to revaluation of financial assets	(480)	(480)	(59)	(59)
Other general income (loss) less deferred corporate income tax	2,546	2,546	59	59
Total income (loss):	(5,579)	(4,354)	(2,086)	1,188
Profit appropriate to:				
Shareholders of the Bank	(8,125)	(6,900)	(2,145)	1,129
Minority	-	-	-	-
Annual profit	(8,125)	(6,900)	(2,145)	1,129
Regular profit and profit calculated with potentially convertible shares per share (LTL per share)	(0.05)	(0.04)	(0.01)	0.01

PROFIT (LOSS) STATEMENT FOR THE PERIOD

	2010 January-March		2009 January-March	
	Group	Bank	Group	Bank
Income from interest and other similar income	30,321	29,434	37,404	35,855
Expenses on interest and other similar expenses	(24,778)	(24,684)	(28,614)	(27,601)
Net income from interest	5,543	4,750	8,790	8,254
Income from services and commissions	2,618	2,669	3,068	3,162
Expenses on services and commissions	(957)	(942)	(1,068)	(1,051)
Net income from services and commissions	1,661	1,727	2,000	2,111
Losses from impairment	(9,874)	(8,957)	(8,895)	(8,147)
Net profit from transactions in securities	1,140	1,140	4,831	207
Net profit from foreign currency transactions	466	466	614	614
Profit from sales of assets	34	3	(8)	1
Other income	318	120	236	117
Administrative and other operating costs	(8,670)	(7,449)	(9,713)	(8,405)
Operating profit	(9,382)	(8,200)	(2,145)	(5,248)
Dividends from investments in subsidiaries	-	-	-	6,377
Profit before corporate income tax	(9,382)	(8,200)	(2,145)	1,129
Corporate income tax costs	1,257	1,300	-	-
Profit for the period	(8,125)	(6,900)	(2,145)	1,129
Profit apportionable to:				
Shareholders of the Bank	(8,125)	(6,900)	(2,145)	1,129
Minority	-	-	-	-
Profit for the period	(8,125)	(6,900)	(2,145)	1,129

The complete set of financial statements with the explanatory note is presented in the Financial Statements as of 31 March 2010 (prepared in accordance with the Rules for the Preparation and Presentation of Periodical Information). The financial statements are available for review on the website of the Bank by the following address: www.sb.lt, and on the website of the Central Storage Facility by the following address: www.crib.lt.

Dividends payment procedure

At the General Meeting of Shareholders, which is held within 3 months from the end of a business and financial year, shareholders approve annual financial statements, appropriate profit and may assign dividends. Dividends assigned by a decision of the General Meeting of Shareholders form the Bank's liability to the shareholders. The right to dividends shall be possessed by those persons who were the Bank's shareholders at the end of the day of accounting the rights of the General Meeting of Shareholders that announced dividends (the tenth working day after the General Meeting of Shareholders) or were entitled to dividends on any other lawful grounds.

Payment of dividends during the recent three years is presented in the table below:

	2009	2008	2007
In per cent of the nominal value	-	-	2
Amount of dividends per share, LTL	-	-	0.02
Accrued amount of dividends, LTL	-	-	3,220,670

Dividends were not reduced in any cases stipulated by legal acts and the Statute of the Bank. There were no shareholders who forgo dividends.

20.8. Legal and arbitration proceedings

There are no governmental, legal, or arbitration proceedings which have or have recently had any significant effects on the financial position or profitability of the Bank.

20.9. Significant change in the Issuer's financial or trading position

There have been no significant change in the Group's financial or trading position since the end of the last financial period for which interim financial information have been published (31 March 2010).

21. ADDITIONAL INFORMATION

21.1. Share capital

Historical financial information comprises the information set forth below, which is presented on the basis of the data of the last approved balance sheet:

21.1.1. The amount of issued capital, and for each class of share capital:

- a) the number of shares authorised: 180,357,533;
- b) the number of shares issued and fully paid: 180,357,533;
and issued but not fully paid: 0;
- c) the par value per share: LTL 1;

d) the number of shares outstanding at the beginning of 2010: 180,077,837. the number of shares outstanding as on 1 January 2009: 108,455,458. (When calculating outstanding shares in accordance with the Trading Rules and Methodology of NASDAQ OMX Vilnius, the number of these shares shall be reduced by the number of shares held by shareholders possessing more than 10 per cent of the capital and shares held by the senior managers of the Bank).

When the Bank increased the authorised capital during the recent 3 years, there have been no shares paid by any assets other than cash.

21.1.2. The Bank has not issued any shares not representing capital.

21.1.3. The Bank has no shares of its own held by or on behalf of the Bank itself or by subsidiaries of the Bank.

21.1.4. The Bank has not issued any convertible securities, exchangeable securities, or securities with warrants.

21.1.5. The Bank has not issued any acquisition rights and has no obligations over authorised by unissued capital and/or undertaking to increase the capital.

21.1.6. Information about any capital of any member of the Group to be put under option: no options will be concluded.

21.1.7. The history of the authorised capital for the period of the recent 5 years:

31 August 2005, the registered capital of the Bank was LTL 74,720,000;

8 February 2006: LTL 84,720,000 Lt;

11 May 2006: LTL 94,039,200;

21 December 2006: LTL 109,039,200;

14 May 2007: LTL 121,033,512;

14 May 2008: LTL 180,357,533.

21.2. Memorandum and Articles of Association

21.2.1. The objects and purposes of the activities of the Bank:

- to service the Bank's clients in an effective and comprehensive manner;
- to be a universal bank oriented to the complex provision of services to small- and medium-sized businesses and private persons;
- to expand the network of the Bank and to increase the market share occupied by the Bank.

21.2.2. A summary of the Articles of Association of the Bank with respect to the members of the administrative, management and supervisory bodies is presented below:

The Bodies of the Bank are as follows: the General Meeting of Shareholders of the Bank, the Supervisory Council of the Bank, the Board of the Bank, and the Head of the Administration of the Bank (the Head of the Bank). The management bodies of the Bank include the Board and the Head of the Bank.

Only the General Meeting:

Only the General Meeting of Shareholders shall have the right:

- to amend the Articles of Association of the Bank with the exception of the cases stipulated in this Law;
- to elect the Council or single members thereof;
- to dismiss the Council or single members thereof;
- to elect and dismiss the firm of auditors; to establish the terms and conditions for the payment of audit services;
- to approve the annual financial statements and the activity report of the Bank;
- to determine the class, number, nominal value and set the minimum issue price of the shares to be issued by the Bank;
- to adopt a decision on the following:
 - to issue convertible debentures;
 - to withdraw for all the shareholders the pre-emption right to acquire the shares or convertible debentures of the specific issue of shares or convertible debentures issued by the Bank;
 - to convert the Bank's shares of one class into shares of another class; to approve the procedure for the conversion of shares;

- regarding the appropriation of the profit (loss);
- regarding the formation, use, reduction, and elimination of reserves;
- to increase the authorised capital;
- to decrease the authorised capital with the exception of the cases stipulated in laws;
- regarding the purchase by the Bank of its own shares;
- regarding the reorganisation or division the Bank and to approve the conditions of the reorganisation or division;
- to restructure the Bank;
- to liquidate the Bank or to cancel the liquidation of the Bank with the exception of the cases stipulated in laws.

The Supervisory Council

The Supervisory Council of the Bank shall be the collegial body performing the supervision of the activities of the Bank. The Council shall be managed by its Chairperson. The Council of the Bank formed of 7 members shall be elected by the General Meeting of Shareholders for a period of four years. The Articles of Association of the Bank provide that the number of offices of a Member of the Council shall be unlimited.

The functions of the Council shall be as follows:

- to elect members of the Board and to remove them from office; to provide the Board with proposals regarding the candidacy of the Chairman of the Board. When establishing salaries of the Members of the Board who hold other positions in the Bank, of the Head of the Bank and his deputies as well as other terms and conditions of their employment contracts, prior approval of the Council should be obtained. If the Bank operates at a loss, the Council shall consider whether the Members of the Board are suitable for the office;
- to elect the members of the Internal Audit Committee;
- to supervise the activities of the Board and the Head of the Bank;
- to supervise the implementation of the activity plans of the Bank; to analyse the Bank's income and expenses, own investments, and issues of capital adequacy;
- to adopt the work regulations of the Council;
- to approve the activity plans and annual budget of the Bank;
- to approve any policy related to the activities of the Bank including the risk management policy;
- to approve the activity strategy of every person controlled by the Bank;
- to ensure an effective system of internal control in the Bank;
- to make proposals and comments to the General Meeting of Shareholders on the activity strategy of the Bank, annual financial statements of the Bank, the draft of the profit (loss) distribution of the Bank and the activity report of the Bank as well as on the activities of the Board and the Head of the Bank;
- to approve the loan extension policy and to establish the procedure for lending to be extended only subject to approval of the Council;
- to provide proposals to the Board and the Head of the Bank to revoke their decisions which are in conflict with laws and other legal acts, these Articles of Association or decisions of the General Meeting of Shareholders;
- to establish the list of transactions and decisions for the conclusion or implementation of which the managing bodies of the Bank are required to obtain the approval of the Council;
- to adopt decisions assigned to the competence of the Council in accordance with the procedures approved by the Council which must be approved by the Council in accordance with laws, these Articles of Association, and decisions of the General Meeting of Shareholders;

- to consider and decide on other issues, which should be considered and decided on by the Council in accordance with laws, these Articles of Association, and decisions of the General Meeting of Shareholders.

The Board of the Bank

The Board of the Bank shall be the collegial management body formed of five members. It shall manage the Bank, handle its affairs, and bear responsibility for the performance of the Bank's financial services in accordance with laws. The work order of the Board shall be established by the work regulations of the Board. The Board shall be elected by the Council of the Bank for a period of four years.

The Board shall consider and approve the following:

- the management structure of the Bank and positions of employees as well as the positions to which persons shall be employed through competitions;
- regulations of the branches, representative offices, and other separate divisions of the Bank;
- the Bank's loan extension procedure pursuant to the loan extension policy approved by the Council;
- the Bank's procedure for the assumption of guarantees and sureties and other obligations;
- the procedure for the write-off of loans and other borrowing obligations;
- the regulations of the Loan Committee and the Risk Management Committee of the Bank;
- the Board shall elect (appoint) and remove from office the Head of the Bank and his deputies. The Board shall establish the salary and other terms and conditions of the employment contract of the Head of the Bank, approve his office regulations, motivate him and impose punishments;
- the Board shall establish the information to be considered as the commercial secret of the Bank.

The Board shall adopt the following:

- decisions on the Bank's becoming the incorporator, participant of other legal entities;
- decisions on the establishment of branches, representative offices, and other separate divisions of the Bank as well as on the termination of their activities;
- decisions on the investment, transfer, and lease of long-term assets, the book value thereof exceeds $\frac{1}{20}$ of the authorised capital of the Bank (to be calculated separately for each type of the transactions);
- decisions on the pledge or mortgage of long-term assets, the book value thereof exceeds $\frac{1}{20}$ of the authorised capital of the Bank (to be calculated as the total amount of the transactions);
- decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds $\frac{1}{20}$ of the authorised capital of the Bank;
- decisions on the acquisition of long-term assets the price thereof exceeds $\frac{1}{20}$ of the authorised capital of the Bank;
- decisions on the issue of non-convertible debentures;
- the work regulations of the Board;
- decisions on other issues which should be considered and decided on by the Board in accordance with laws and the Articles of Association of the Bank.

The Board shall establish the following:

- the terms and conditions of the Bank's share issue;
- the procedure for the issue of the Bank's debentures. When the General Meeting of Shareholders adopts a decision regarding the issue of convertible debentures, the Board shall have the right to establish additional conditions for the issue thereof and to approve debenture subscription agreements, the right of signing of which is possessed by the Head of the Bank or his authorised person;
- the procedure for accepting for employment with the Bank and cases when persons are accepted for employment with the Bank subject to the approval of the Board.

The Bank shall execute decisions adopted by the General Meeting of Shareholders and the Council of the Board.

The Board shall analyse and evaluate the materials provided by the Head of the Bank on the following:

- the implementation of the strategy of the Bank;
- the organisation of the activities of the Bank;
- the financial condition of the Bank;
- the results of the business activities, estimates of incomes and expenses, and data of inventorying and other data of other accounting of changes in the assets;
- the Board shall also analyse and evaluate the draft of the annual financial statements and the draft of the profit (loss) appropriation of the Bank and provide them to the Council and the General Meeting of Shareholders. The Board shall establish the calculation methods for depreciation of tangible assets and amortisation of intangible assets to be applied in the Bank;
- the Board shall also settle other issues of the activities of the Bank if they are not assigned to the competence of other bodies of the Bank according to laws or these Articles of Association.

The Board shall bear responsibility for the timely convening and arrangement of the General Meetings of Shareholders.

The Head of the Bank shall organise everyday activities of the Bank and perform actions necessary in order to execute his functions, to implement decisions of the bodies of the Bank, and to ensure the activities of the Bank.

The Head of the Bank shall:

- organise everyday activities of the Bank;
- hire and dismiss employees of the Bank, conclude and terminate employment contracts with them, motivate them and impose punishments. The Head of the Bank shall have the right to authorised another employee of the Bank to perform the actions specified in this Clause;
- establish the rates of depreciation of assets to be applied in the Bank;
- represent the Bank in relations with other persons, in court, and arbitration without any separate authorisation;
- issues and revokes powers of attorney for the representation of the Bank and procurators;
- issues orders;
- performs other actions necessary in order to execute his functions, to implement decisions of the bodies of the Bank, and to ensure the activities of the Bank.

The Head of the Bank shall be responsible for the following:

- organisation of the activities of the Bank and implementation of its objectives;
- drawing up of annual financial statements;
- conclusion of the agreement with the firm of auditors;
- provision of information and documents to the General Meeting of Shareholders, the Council, and the Board in the cases stipulated by laws or at the request thereof;
- provision of the Bank's documents to the Registrar of Legal Entities;
- provision of documents to the Securities Commission and the Central Securities Depository of Lithuania;
- publication of the information stipulated by laws and other legal acts in the dailies specified in these Articles of Association;
- provision of information to shareholders;
- performance of other duties stipulated in laws and legal acts, these Articles of Associations, and office regulations of the Head of the Bank.

The Head of the Bank acts on behalf of the Bank and has the right to individually conclude transactions except for the cases stipulated in the Articles of Association of the Bank and decisions of the bodies of the Bank.

21.2.3. Rights attaching to shares

The Bank's shareholder shall have the following property rights:

- to receive a part of the Bank's profit (dividend);
- to receive a part of the assets of the Bank in liquidation;
- to receive a part of the shares without payment when the authorised capital is increased from the funds of the Bank, with the exception of the cases stipulated by laws;
- when the shareholder is a natural person, to bequeath all or part of the shares of the shareholder to one or several persons;
- to sell or transfer otherwise all or part of the shares to the ownership of other persons in accordance with the procedure and on the conditions stipulated by laws;
- to have the pre-emption right in acquiring newly issued shares or convertible debentures of the Bank except in case when the General Meeting of Shareholders decides, in accordance with the procedure stipulated by laws, to withdraw this right for all shareholders;
- to lend money to the Bank in the manners stipulated by laws; however, the Bank shall not have the right to pledge its assets to its shareholders when borrowing from the shareholders. When the Bank borrows from a shareholder, the interest rate may not exceed the average interest rate of commercial banks located in the place of residence or business of the lender effective at the moment of the conclusion of the loan agreement. In this case, the Bank and shareholders shall be prohibited to agree on higher interest rates;
- other property rights established by laws.

The right to dividends, shares without payment, and pre-emption right in acquiring shares of the new issue shall be possessed by the persons who were the Bank's shareholders at the end of the tenth working day after the General Meeting of Shareholders that made the relevant decision (i.e. at the end of the day of accounting the rights).

The Bank's shareholders shall have the following non-property rights:

- to take part in the General Meeting of Shareholders;
- to vote at the General Meetings of Shareholders in accordance with the rights granted by the shares;
- to submit in advance to the Company any questions related to the issues of the agenda of the General Meetings of Shareholders;
- to receive information regarding the Bank as specified in the Law on Companies;
- to file a lawsuit with court for the reparation to the Bank of damage resulting from non-execution or improper execution by the Head or Members of the Board of the Bank of their duties stipulated in laws and the Articles of Association of the Bank as well as in other cases stipulated by laws;
- to authorise a natural or legal entity to represent the shareholder in maintaining relations with the Bank and other persons;
- other non-property rights established by laws.

21.2.4. The General Meeting of Shareholders shall be entitled, by $\frac{3}{4}$ of votes of the shareholders participating in the Meeting, to withdraw the pre-emption right in acquiring shares or convertible debentures of a specific issue of the Bank.

21.2.5. Conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called.

The right of initiative to convene the General Meeting of Shareholders shall be vested in the Council, the Board, and the shareholders whose shares carry at least 1/10 of all votes.

The Meeting shall be convened by a decision of the Board. The Meeting shall be convened by a decision of the Head of the Bank when not more than a half of the number of the Members of the Board specified in the Articles of Association of the Bank are present, or when the Board fails to convene the Meeting in the cases and within the time limits specified in the Articles of Association of the Bank.

The Meeting may be convened by a decision of shareholders whose shares carry at least ½ of all votes if the Board or, in the cases specified in the Articles of Association, the Head of the Bank failed to make a decision to convene the Meeting within 10 days from the receipt of the request submitted by the initiators of the Meeting.

There are Annual and Extraordinary Meetings.

An Annual General Meeting of Shareholders must be held every year at least within three months from the close of the financial year.

The Extraordinary General Meeting of Shareholders must be convened if:

1. The number of the Members of the Council has declined to below than 2/3 of their number indicated in the Articles of Association or less than their minimum number prescribed by laws;
2. The shareholders' equity of the Bank has declined to below than ½ of the authorised capital stipulated in the Articles of Association of the Bank, and this issue has not been considered at the Annual Meeting;
3. the firm of auditors terminates the contract with the Bank or is for any other reasons unable to audit the Bank's annual financial statements;
4. it is required by the shareholders possessing the right of initiating the convening of the Meeting, the Council, or the Board;
5. it is required by the supervisory institution;
6. other issues assigned to the competence of the Meeting need to be resolved;
7. it is required by laws.

The body of the Bank, persons or institution that has made a decision to convene the Meeting shall provide the Bank with information and documents necessary for the preparation of the notice of the convening of the Meeting. The Head of the Bank must publish the notice of the convening of the Meeting in the dailies Lietuvos Rytas and Šiaulių Kraštas not later than 30 days before the day of the Meeting. If a repeat Meeting is to be convened, the shareholders should be advised, in the manner stipulated in this Clause, not later than 5 days before the Meeting. At the beginning of the Meeting, the Head of the Bank must inform the shareholders about the documents proving that the shareholders have been informed about the convening of the Meeting. These documents should be attached to the minutes of the Meeting.

The Meeting may be convened without observing the time limits stipulated by the Articles of Association above provided that all the shareholders whose shares carry voting rights agree to this in writing.

The persons who were the shareholders of the Bank at the end of the day of accounting the Meeting shall have the right to participate in the Meeting. Members of the Council, Members of the Board, the Head of the Bank, and the auditor who prepared the opinion and the report, even though they are not shareholders, shall be entitled to participate in the Meeting and be given the floor. Persons who are not granted the right to participate in the Meeting shall be entitled to participate therein if this is permitted by the Meeting.

The fifth working day before the Meeting or the fifth working day before the repeat Meeting shall be the day of accounting the Meeting.

22. MATERIAL CONTRACTS

There are no material contracts, other than contracts entered into in the ordinary course of business, to which the Bank or any member of the Group is a party.

23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

The production of this Prospect has not been based on any information received from entities acting as an expert.

Information of the Bank of Lithuania has been used in Chapter “Overview of the activities of the banking sector and competitive situation” of Clause 6.2 of this Part of the Prospectus.

As far as it was possible to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

24. DOCUMENTS ON DISPLAY

The Prospectus of the Share Issue and the following documents with the use of which it was prepared:

- a) the Articles of Association of the Bank;
 - b) all reports, letters, and other documents, historical financial information, and statements any part of which is included or referred to in the registration document;
 - c) the historical financial information of the Bank and its subsidiary undertakings for each of the three financial years preceding the publication of the registration document
- are available for review in the headquarters of Šiaulių Bankas AB at the following address: Tilžės St. 149, Office 3, Šiauliai, phone: (8-41) 595-652, 595-669, (working time: 7:30-16:30).
- d) Historical financial statements, the annual report of the Bank for 2009, and this Prospectus are also available for review on the website of the Bank by the following address: www.sb.lt, and on the website of the Central Storage Facility by the following address: www.crib.lt.

25. INFORMATION ON HOLDINGS

The Bank has acquired shares of its subsidiaries amounting to LTL 14.89 million. Information about the subsidiaries and controlled parts of the capital is provided in Clause 7 of this Part “Registration Document”.

The Bank holds shares of other undertakings; however, the Bank has not invested more than 10 per cent of the undertaking’s capital in any of the undertakings. Therefore, changes in capital holdings of the undertakings do not have any significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

Deputy Head of the Administration

Donatas Savickas

Chief Accountant,
Head of the Accounting and Accountability Division

Vita Adomaitytė

Director of the Treasury Department

Pranas Gedgaudas

Head of the Securities Accounting Department

Jolanta Dobiliauskienė

L. S.