

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Algirdas Butkus and Chief Financial Officer Vita Adomaitytė, confirm that as far as we know, financial statements for 9 months of 2010 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer



Algirdas Butkus

Chief financial officer



Vita Adomaitytė

16-11-2010

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)



FINANCIAL STATEMENT

30 SEPTEMBER 2010

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Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

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Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	30-09-2010		31-12-2009	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	2	188 160	188 116	168 708	168 651
Due from other banks	3	4 147	4 147	2 214	2 214
Trading securities	6	104 134	100 985	3 094	121
Derivative financial instruments		0	0	-	-
Loans to customers	4	1 418 694	1 620 151	1 434 328	1 605 635
Finance lease receivables	5	103 167	-	101 412	-
Investment securities:					
- available-for-sale	6	122 826	96 683	86 236	72 083
- held-to-maturity	6	198 735	192 086	146 041	143 068
Investments in subsidiaries	6	0	16 889	0	9 384
Intangible assets		545	542	605	600
Tangible fixed assets		53 969	43 905	52 203	45 179
Prepaid income tax		2 127	2 109	2 468	2 221
Deferred income tax assets		9 011	8 764	5 416	5 224
Other assets	7	72 985	2 822	71 073	4 890
Total assets		2 278 500	2 277 199	2 073 798	2 059 270
LIABILITIES					
Due to other banks and financial institutions	8	311 432	311 441	246 272	237 315
Due to customers	9	1 623 873	1 624 296	1 528 824	1 528 840
Special and lending funds	10	26 264	26 264	31 292	31 292
Debt securities in issue	11	3 831	3 831	4 155	4 155
Deferred income tax liabilities		39	-	-	-
Other liabilities	12	53 830	49 544	9 071	3 631
Total liabilities		2 019 269	2 015 376	1 819 614	1 805 233
EQUITY					
Share capital	13	204 858	204 858	180 358	180 358
Share premium	13	46 661	46 661	45 681	45 681
Reserve capital	13	2 611	2 611	2 611	2 611
General reserve to cover possible losses in assets	13	10 000	10 000	10 000	10 000
Statutory reserve	13	6 667	6 422	6 376	5 981
Financial assets revaluation reserve		2 189	3 560	(781)	590
Retained earnings		(13 755)	(12 289)	9 939	8 816
Totalequity		259 231	261 823	254 184	254 037
Total liabilities and equity		2 278 500	2 277 199	2 073 798	2 059 270

The notes on pages 10-37 constitute an integral part of these financial statements

Chief Executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

16 November 2010

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

THE GROUP'S AND BANK'S STATEMENT OF COMPREHENSIVE INCOME

	Notes	30-09-2010		30-09-2009	
		Group	Bank	Group	Bank
Interest and similar income	14	83 850	81 276	108 562	106 671
Interest expense and similar charges	14	(61 810)	(61 716)	(85 782)	(85 266)
Net interest income		22 040	19 560	22 780	21 405
Fee and commission income	15	8 832	8 969	9 368	9 616
Fee and commission expense	15	(3 216)	(3 164)	(3 325)	(3 271)
Net fee and commission income		5 616	5 805	6 043	6 345
Allowance for impairment losses		(38 017)	(36 169)	(25 998)	(22 957)
Net gain on operations with securities		4 165	4 165	4 977	353
Net foreign exchange gain		1 969	1 982	1 804	1 805
Gain on disposal of assets		1 003	159	(209)	9
Other income		1 603	645	822	417
Administrative and other operating expenses	16	(25 239)	(20 703)	(27 253)	(23 516)
Operating profit		(26 860)	(24 556)	(17 034)	(16 139)
Dividends from investments in subsidiaries		-	-	-	6 377
Profit before income tax		(26 860)	(24 556)	(17 034)	(9 762)
Income tax expense		3 908	3 892	137	120
Profit for the year		(22 952)	(20 664)	(16 897)	(9 642)
Other comprehensive (loss) income					
Gain (loss) from revaluation of financial assets		3 288	3 288	637	637
Deferred income tax on (loss) gain from revaluation of financial assets		(318)	(318)	(69)	(69)
Other comprehensive (loss) income, net of tax		2 970	2 970	568	568
Total comprehensive (loss) income		(19 982)	(17 694)	(16 329)	(9 074)
Profit is attributable to:					
Equity holders of the Bank		(22 952)	(20 664)	(16 897)	(9 642)
Minority interest		-	-	-	-
Profit for the year					
Equity holders of the Bank		(19 982)	(17 694)	(16 329)	(9 074)
Minority interest		-	-	-	-
Basic and diluted earnings per share, net (in LTL per share)	13	-0,12	-0,11	-0,09	-0,05

The notes on pages 10-37 constitute an integral part of these financial statements

Chief Executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

16 November 2010

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

THE GROUP'S AND BANK'S INCOME STATEMENT FOR THE PERIOD

	FROM 07 TO 09 MONTH 2010		FROM 07 TO 09 MONTH 2009	
	Group	Bank	Group	Bank
Interest and similar income	25 974	25 201	35 565	34 952
Interest expense and similar charges	(17 673)	(17 673)	(29 108)	(28 917)
Net interest income	8 301	7 528	6 457	6 035
Fee and commission income	3 278	3 310	3 262	3 341
Fee and commission expense	(1 198)	(1 177)	(1 165)	(1 150)
Net fee and commission income	2 080	2 133	2 097	2 191
Allowance for impairment losses	(17 868)	(17 539)	(10 656)	(9 231)
Net gain on operations with securities	1 972	1 972	49	49
Net foreign exchange gain	712	723	673	674
Gain on disposal of assets	455	141	(80)	5
Other income	1 181	409	262	122
Administrative and other operating expenses	(8 494)	(6 578)	(8 347)	(7 187)
Operating profit	(11 661)	(11 211)	(9 545)	(7 342)
Dividends from investments in subsidiaries	-	-	-	-
Profit before income tax	(11 661)	(11 211)	(9 545)	(7 342)
Income tax expense	1 685	1 664	120	120
Profit for the year	(9 976)	(9 547)	(9 425)	(7 222)

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

	30-09-2010		30-09-2009	
	Group	Bank	Group	Bank
Operating activities				
Interest received	75 438	73 751	106 457	104 185
Interest paid	(61 898)	(61 804)	(82 369)	(81 853)
Net cash received from service and commission fees	5 616	5 805	6 043	6 345
Net cash received from operations in securities	3 290	3 290	(229)	(229)
Net cash received from operations in foreign currency	1 992	2 005	2 050	2 051
Cash received from previously written-off loans	897	573	179	21
Salaries and related payments to and on behalf of employees	(13 511)	(11 596)	(15 761)	(13 789)
Other receipts (payments)	(7 221)	(6 886)	(9 305)	(8 412)
Income tax paid	30	-	(2 101)	(2 102)
Net cash flow from operating activities before change in short-term assets and liabilities	4 633	5 138	4 964	6 217
(Increase) decrease in assets:				
Decrease in trading securities	(98 364)	(98 364)	977	977
(Increase) in loans to credit and financial institutions	7 197	(4 650)	6 092	28 963
(Increase) in loans to customers	(36 003)	(51 258)	30 209	(6 695)
(Increase) decrease in other assets	(2 318)	2 248	(3 701)	2 866
Increase in liabilities				
Increase in liabilities to credit and financial institutions	66 547	75 513	(105 840)	(105 616)
Increase in deposits, special and lending funds	88 880	89 287	110 182	115 993
Increase in other liabilities	45 436	46 391	(3 969)	(5 969)
Change	71 375	59 167	33 950	30 519
Net cash flow from operating activities	76 008	64 305	38 914	36 736
Investing activities				
Purchase of tangible and intangible fixed assets	(7 565)	(1 434)	(7 562)	(2 679)
Disposal of tangible and intangible fixed assets	3 152	994	1 751	1 344
Acquisition of held to maturity securities	(62 508)	(59 250)	(11 037)	(11 037)
Proceeds from redemption of held to maturity securities	15 958	15 958	13 807	13 807
Acquisition of available-for-sale securities	(135 424)	(123 434)	(55 214)	(55 214)
Disposal of available-for-sale securities	104 766	104 766	24 300	24 300
Acquisition of subsidiary	-	(7 505)	-	(9 022)
Dividends received	67	67	4 829	6 582
Net cash used in investing activities	(81 554)	(69 838)	(29 126)	(31 919)
Financing activities				
Increase in share capital	25 480	25 480	-	-
Dividends paid	-	-	(1)	(1)
Payment to minority shareholders	-	-	(4 967)	-
Debt securities issued	-	-	22 605	22 605
Debt securities repurchased and redeemed	(482)	(482)	(42 224)	(42 224)
Net cash flow from financing activities	24 998	24 998	(24 587)	(19 620)
Net increase in cash and cash equivalents	19 452	19 465	(14 799)	(14 803)
Cash and cash equivalents at 1 January	168 708	168 651	142 939	142 927
Cash and cash equivalents at 30 September	128 057	128 027	192 096	191 975

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Bank							
	Share capital	Share premium	Reserve capital	Statutory reserve and others reserves	Retained earnings	Total:	Minority interest	Total equity:
31 December 2008	180 358	45 681	2 611	3 003	58 004	289 657	4 967	294 624
Dividends to minority	-	-	-	-	-	-	(3 923)	(3 923)
Formation of reserve	-	-	-	12 514	(12 514)	-	-	-
Financial assets revaluation reserve	-	-	-	637	-	637	-	637
Recognition of deferred income tax	-	-	-	(69)	-	(69)	-	(69)
Decrease in share capital of minority shareholders in subsidiaries	-	-	-	179	-	179	(1 044)	(865)
Profit for the year	-	-	-	-	(16 897)	(16 897)	-	(16 897)
30 September 2009	180 358	45 681	2 611	16 264	28 593	273 507	-	273 507
Financial assets revaluation reserve	-	-	-	(541)	-	(541)	-	(541)
Recognition of deferred income tax	-	-	-	(128)	-	(128)	-	(128)
Profit for the year	-	-	-	-	(18 654)	(18 654)	-	(18 654)
31 December 2009	180 358	45 681	2 611	15 595	9 939	254 184	-	254 184
Financial assets revaluation reserve	-	-	-	3 288	-	3 288	-	3 288
Recognition of deferred income tax	-	-	-	(318)	-	(318)	-	(318)
Increasing of capital	24 500	980	-	-	-	25 480	-	25 480
Formation of reserve	-	-	-	441	(441)	-	-	-
Others moves	-	-	-	(150)	(301)	(451)	-	(451)
Profit for the year	-	-	-	-	(22 952)	(22 952)	-	(22 952)
30 September 2010	204 858	46 661	2 611	18 856	(13 755)	259 231	-	259 231

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve and others reserves	Retained earnings	Total equity:
31 December 2008	180 358	45 681	2 611	(680)	3 405	51 506	282 881
Formation of reserve	-	-	-	-	12 576	(12 576)	-
Financial assets revaluation reserve	-	-	-	637	-	-	637
Recognition of deferred income tax	-	-	-	(69)	-	-	(69)
Profit for the year	-	-	-	-	-	(9 642)	(9 642)
30 September 2009	180 358	45 681	2 611	(112)	15 981	29 288	273 807
Financial assets revaluation reserve	-	-	-	830	-	-	830
Recognition of deferred income tax	-	-	-	(128)	-	-	(128)
Profit for the year	-	-	-	-	-	(20 472)	(20 472)
31 December 2009	180 358	45 681	2 611	590	15 981	8 816	254 037
Financial assets revaluation reserve	-	-	-	3 288	-	-	3 288
Recognition of deferred income tax	-	-	-	(318)	-	-	(318)
Increasing of capital	24 500	980	-	-	-	-	25 480
Formation of reserve	-	-	-	-	441	(441)	-
Profit for the year	-	-	-	-	-	(20 664)	(20 664)
30 September 2010	204 858	46 661	2 611	3 560	16 422	(12 289)	261 823

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

GENERAL INFORMATION

Šiaulių Bankas AB was registered as a public company in the Enterprise Register of the Republic of Lithuania on 4 February 1992. The Bank is licensed by the Bank of Lithuania to perform all banking operations provided for in the Law on Commercial Banks of the Republic of Lithuania and the Statute of the Bank, except for operations with precious metals.

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As of September 30 st 2010 the Bank had 483 employees (31 December 2009: 475). As of September 30st 2010 the Group had 547 employees (31 December 2009: 530 employees).

The Bank's shares are listed on the Official List of the National Stock Exchange of Lithuania (NSEL).

The Bank had the following subsidiaries:

1. Šiaulių Banko Lizingas UAB (hereinafter – SB Lizingas, finance and operating lease activities),
2. Šiaulių Banko Investicijų Valdymas UAB (hereinafter SB Investicijų Valdymas, investment management activities),
3. Šiaulių Banko Turto Fondas UAB (hereinafter – SB Turto Fondas, real estate management activities),
4. Minera UAB (hereinafter – Minera, real estate management activities),
5. SBTf UAB(hereinafter – SBTf, real estate management activities).

The financial statements of the Group and the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared under the historical cost convention as modified for the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative financial instruments.

The preparation of financial statements in conformity with International Financial Reporting Standards require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the Bank. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

Amounts shown in these financial statements are presented in the local currency, Litas (LTL). Since 2 February 2002 the exchange rate of the litas was pegged to the euro at a rate of LTL 3.4528 = EUR 1.

Financial risk management

The Group analyses, evaluates, accepts and manages the risk or combination of risks it is exposed to. Risk management at the Group aims at ensuring a sufficient return on equity following the conservative risk management policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

The Risk Management Policy approved by the Bank Board as well as by the procedures to manage different types of risks prepared on its basis ensures the integrity of the risk management process in the Group.

The most important types of risk the Group is exposed to are credit risk, market risk, liquidity risk and operational risk. Concentration risk is treated as part of credit risk. Market risk includes currency risk, interest rate and equity price risk. Other types of risk are considered immaterial by the Group and, therefore, are not assessed.

In order to avoid a conflict of interest the Bank's subdivisions that implement risk management functions are separated from those subdivisions the direct activities of which are connected with the up rise of various types of banking risks.

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 1 CREDIT INSTITUTION ACTIVITIES

The bank's Head Office is located in Šiauliai. The bank has 14 branches in Kelmė, Klaipėda, Kuršėnai, Mažeikiai, Palanga, Šilutė, Vilnius, Alytus, Utena, Kaunas, Druskininkai, Panevėžys, Šiauliai, Radviliškis and 37 client service.

As of September 30 st 2010 the number of the bank's clients included 255 municipal companies and governmental companies, 57 state companies, 49 agricultural companies, 30 economic partnerships, 4 646 limited liability public company, 1 528 private companies, 542 non-profit making and public sector companies and 1 099 other organizations as well as 120 531 individuals.

As of September 30st 2010 the bank controlled 5 and December 31st 2009 the bank controlled 3 subsidiaries: "Šiaulių banko lizingas" UAB (financial and operational leasing), "Šiaulių banko investicijų valdymas" UAB (investment management), "Šiaulių banko turto fondas" UAB, "Minera" UAB, "SBTF" UAB (real estate management). The bank owns 100% of "Šiaulių banko lizingas" UAB (acquisition value – 30st September2010 – LTL 5 000 thou), 100 % of "Šiaulių banko investicijų valdymas" UAB (acquisition value – 30 st September 2010 - LTL 4 040 thou), 100 % of "Šiaulių banko turto fondas" UAB (acquisition value – 30 st September2010 -LTL 5 117 thou), 100 % of "Minera" UAB (acquisition value – 30 st September2010 -LTL 5 505 thou), 100 % of "SBTF" UAB (acquisition value – 30 st September2010 - LTL 2 000 thou).

The consolidated statements of the Group include financial statements of the bank and its subsidiaries.

NOTE 2 CASH AND CASH EQUIVALENTS

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Cash and other valuables	36 383	36 382	34 669	34 651
Mandatory reserves in national currency	66 029	66 029	58 790	58 790
Correspondent bank accounts	37 336	37 336	18 407	18 407
Banks time deposits	26 461	26 418	19 420	19 381
Correspondent account with central bank	21 951	21 951	37 422	37 422
Total:	188 160	188 116	168 708	168 651

Mandatory reserves comprise the funds calculated on a monthly basis as a 4 % share of the average balance of deposits of the previous month. The mandatory reserves are held with the Bank of Lithuania in the form of deposits. The compensation for deposits held is calculated according to the Regulations of the Bank of Lithuania.

NOTE 3 DUE FROM OTHER BANKS

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Due from other banks	4 147	4 147	2 214	2 214
Total:	4 147	4 147	2 214	2 214

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(all amounts are in LTL thousand, unless otherwise stated)

NOTE 4 LOANS TO CUSTOMERS

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

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Cash and balances with central banks	188 160	188 116	168 708	168 651
Loans and advances to banks	4 147	4 147	2 214	2 214
Loans and advances to customers:	1418 694	1620 151	1 434 328	1 605 635
Loans and advances to financial institutions	572	123 085	9 130	120 560
Loans to individuals (Retail)	209 699	198 410	235 765	222 509
Loans to business customers	1208 423	1298 656	1 189 433	1 262 566
Finance lease receivables	103 167	-	101 412	-
Trading assets:	-	-	-	-
Debt securities	104 007	100 858	2 973	-
Equity securities	127	127	121	121
Derivative financial instruments	-	-	-	-
Securities available for sale	-	-	-	-
Debt securities	94 996	94 996	71 282	71 282
Equity securities	27 830	1 687	14 954	801
Investment securities held to maturity	-	-	-	-
Debt securities	198 735	192 086	146 041	143 068
Other financial assets	27 042	11	26 775	1 215
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	57 776	57 732	50 307	50 240
Letters of credit	4 368	4 368	2 904	2 904
Loan commitments and other credit related liabilities	145 039	144 508	72 733	70 180
September 30/December 31	2 374 088	2 408 787	2 094 752	2 116 311

The table above represents a worst case scenario of credit risk exposure at 30 September 2010 and at 31 December 2009, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above on net carrying amount as reported in the balance sheet.

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(all amounts are in LTL thousand, unless otherwise stated)

Loans are summarized as follows:	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Loans to business customers	221 483	1 481 939	1 230 521	1 414 627
Loans to individuals	1 269 661	208 073	246 167	231 290
Gross	1 491 144	1 690 012	1 476 688	1 645 917
Allowance for impairment	72 450	69 861	42 360	40 282
Net	1 418 694	1 620 151	1 434 328	1 605 635

Neither past due not impaired Past due but not impaired Impaired	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Neither past due not impaired	1 161 619	1 366 101	1 245 472	1 419 699
Past due but not impaired	141 879	140 284	86 896	84 705
Impaired	187 646	183 627	144 320	141 513
Gross	1 491 144	1 690 012	1 476 688	1 645 917
Allowance for impairment	72 450	69 861	42 360	40 282
Net	1 418 694	1 620 151	1 434 328	1 605 635

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

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

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

The list of loss events:

- 1) significant financial difficulties of the debtor or issuer, i.e. the borrower's financial status is evaluated as poor or bad;
- 2) violation of the loan agreement (non-payment of the periodic loan payments (the part of the loan or interest)) for more than 30 days;
- 3) the loan is being recovered;
- 4) funds granted to the borrower are used not according to the loan purpose and the implementation terms of investment project are violated or decrease in collateral value, when repayment terms of the evaluated loans directly depend on the value of the object of security measure;
- 5) third parties related to the borrower do not fulfill their obligations, which impacts the borrower's ability to fulfill its financial obligations;
- 6) other loss events (termination or cancellation of the license validity of the borrower or issuer engaged in licensed activity; the death of the borrower or issuer).

Loans and advances past due but not impaired

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Past due up to 30 days	111 960	110 494	59 529	58 225
Past due 31-60 days	8 545	8 430	7 886	7 250
Past due 61-90 days	3 502	3 488	3 651	3 412
Past due more than 90 days	17 872	17 872	15 830	15 818
Total	141 879	140 284	86 896	84 705
Fair value of collateral	186 002	186 002	139 635	139 635

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

Loans and advances impaired

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Impaired loans	187 646	183 627	144 320	141 513
Fair value of collateral	136 057	133 985	114 899	112 827

Unsecured loans also include loans secured by other types of collateral (e.g. future inflow of funds into the borrowers' Bank accounts (controlled by the Bank), third party warrantees, bills of exchange, etc.).

NOTE 5 FINANCE LEASE RECEIVABLES

“Šiaulių banko lizingas” UAB was established on 16th August 1999. The main business of the company is financial lease.

Leasing activities mainly depend on the attracted financial resources. The funds allocated to provide funding to leasing operations are formed from two following sources: own funds and bank's loans. The leasing company pays interest to the bank for the borrowed funds

Finance lease receivables are summarized as follows:

	30-09-2010	31-12-2009
Business customers	87 069	71 125
Individuals	18 392	32 813
Gross	105 461	103 938

	30-09-2010	31-12-2009
Neither past due not impaired	59 617	56 508
Past due but not impaired	40 345	42 100
Impaired	5 499	5 330
Gross	105 461	103 938
Allowance for impairment	2 294	2 526
Net	103 167	101 412

	30-09-2010		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	1 304	12 303	13 607
residential real estate	475	41 799	42 274
airplanes	-	9 683	9 683
production equipment	96	10 919	11 015
other equipment	1 401	6 059	7 460
other assets	15 116	6 306	21 422
Total:	18 392	87 069	105 461

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

	31-12-2009		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	1 634	12 581	14 215
residential real estate	909	21 480	22 389
airplanes	-	10 675	10 675
production equipment	123	13 255	13 378
other equipment	2 492	7 751	10 243
other assets	27 655	5 383	33 038
Total:	32 813	71 125	103 938

NOTE 6 SECURITIES

Trading securities	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Debt securities:				
Private enterprise bonds of the Republic of Lithuania	3 149	-	2 973	-
Government bonds of the Republic of Lithuania	78 290	78 290	-	-
Government bonds of foreign states	3 108	3 108	-	-
Private enterprise bonds of foreign states	19 460	19 460	-	-
Nuosavybės vertybiniai popieriai:	-	0		
Listed equity securities	-	0	-	-
Unlisted equity securities	39	39	38	38
Units of funds	88	88	83	83
Total:	104 134	100 985	3 094	121

Bank 30-09-2010	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
	from AA-to AAA	2 066	5 217	-
from A- to A+	1 042	8 683	-	-
from BBB- to BBB+	78 290	4 715	-	-
from BB- to BB+	-	845	-	-
below BB-	-	-	-	-
no rating	-	-	39	88
Total:	81 398	19 460	39	88

Bank 31-12-2009	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
	from AA-to AAA	-	-	-
from A- to A+	-	-	-	-
from BBB- to BBB+	-	-	-	-
from BB- to BB+	-	-	-	-
below BB-	-	-	-	-
no rating	-	-	38	83
Total:	-	-	38	83

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
Group 30-09-2010				
from AA-to AAA	2 066	5 217	-	-
from A- to A+	1 042	8 683	-	-
from BBB- to BBB+	78 290	4 715	-	-
from BB- to BB+	-	845	-	-
below BB-	-	-	-	-
no rating	-	3 149	39	88
Total:	81 398	22 609	39	88

	Treasury bills	Corporate debt securities	Corporate equity securities	Investment fund units
Group 31-12-2009				
from AA-to AAA	-	-	-	-
from A- to A+	-	-	-	-
from BBB- to BBB+	-	-	-	-
from BB- to BB+	-	-	-	-
below BB-	-	-	-	-
no rating	-	2 973	38	83
Total:	-	2 973	38	83

Investment securities

Securities available-for-sale:

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Debt securities				
Private enterprise bonds the Republic of Lithuania	29 310	29 310	41 737	41 737
Government bonds of the Republic of Lithuania	51 910	51 910	29 545	29 545
Government bonds of foreign states	6 605	6 605	-	-
Private enterprise bonds of foreign states	7 171	7 171	-	-
Equity securities				
Listed equity securities	-	-	-	-
Unlisted equity securities	27 495	1 352	14 668	515
Units of funds	335	335	286	286
Total:	122 826	96 683	86 236	72 083

Securities held-to-maturity

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Debt securities				
Private enterprise bonds the Republic of Lithuania	6 649	-	2 973	-
Government bonds of the Republic of Lithuania	166 118	166 118	114 842	114 842
Government bonds of foreign states	20 995	20 995	21 779	21 779
Private enterprise bonds of foreign states	4 973	4 973	6 447	6 447
Total:	198 735	192 086	146 041	143 068

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

	Treasury bills	Municipality debt securities	Corporate debt securities
Bank 30-09-2010			
from AA-to AAA	-	-	-
from A- to A+	10 544	-	-
from BBB- to BBB+	173 170	745	4 973
from BB- to BB+	2 654	-	-
below BB-	-	-	-
no rating	-	-	-
Total:	186 368	745	4 973

	Treasury bills	Municipality debt securities	Corporate debt securities
Bank 31-12-2009			
from AA-to AAA	-	-	-
from A- to A+	10 653	-	-
from BBB- to BBB+	125 247	721	5 027
from BB- to BB+	-	-	1 420
below BB-	-	-	-
no rating	-	-	-
Total:	135 900	721	6 447

	Treasury bills	Municipality debt securities	Corporate debt securities
Group 30-09-2010			
from AA-to AAA	-	-	-
from A- to A+	10 544	-	-
from BBB- to BBB+	173 170	745	4 973
from BB- to BB+	2 654	-	-
below BB-	-	-	-
no rating	-	-	6 649
Total:	186 368	745	11 622

	Treasury bills	Municipality debt securities	Corporate debt securities
Group 31-12- 2009			
from AA-to AAA	-	-	-
from A- to A+	10 653	-	-
from BBB- to BBB+	125 247	721	5 027
from BB- to BB+	-	-	1 420
below BB-	-	-	-
no rating	-	-	2 973
Total:	135 900	721	9 420

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

Investments in subsidiaries

	30-09-2010		
	Share in equity %	Acquisition cost	Carrying value
ŠB Lizingas UAB	100	5 000	2 000
ŠB Investicijų Valdymas UAB	100	4 040	3 113
ŠB Turto Fondas UAB	100	5 117	4 271
Minera UAB	100	5 505	5 505
SBTF UAB	100	2 000	2 000
Total:		21 662	16 889

	31-12-2009		
	Share in equity %	Acquisition cost	Carrying value
ŠB Lizingas UAB	100	5 000	2 000
ŠB Investicijų Valdymas UAB	100	4 040	3 113
ŠB Turto Fondas UAB	100	5 117	4 271
Minera UAB	-	-	-
SBTF UAB	-	-	-
Total:		14 157	9 384

Within 2009 value decrease of LTL 4 773 thousand (among them covered activity's loss of Šiaulių banko lizingas UAB comprises LTL 3000 thousand, value decrease of Šiaulių banko turto fondas UAB – LTL 846 thousand, Šiaulių banko investicijų valdymas UAB – LTL 927 thousand) was acknowledged in the balance of Šiaulių bankas AB as well as in the profit (loss) report.

NOTE 7 OTHER ASSETS

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Assets held for sale	34 131	0	34 845	0
Amounts receivable	27 042	11	26 775	1 215
Deferred expenses	2 301	2 051	2 652	2 487
Prepayments	247	179	3 579	412
Foreclosed assets	2 134	65	2 380	241
Other	7 130	516	842	535
Total:	72 985	2 822	71 073	4 890

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	1 596	1 605	6 145	6 187
Time deposits	65 088	65 088	23 232	23 233
Total:	66 684	66 693	29 377	29 420
Loans received:				
Loans from other banks	89 617	89 617	107 447	98 447
Loans from international organizations	99 674	99 674	57 293	57 293
Loans from financial institutions	55 457	55 457	52 155	52 155
Total:	244 748	244 748	216 895	207 895
Total:	311 432	311 441	246 272	237 315

NOTE 9 DUE TO CUSTOMERS

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	5 271	5 271	2 361	2 361
Local government institutions	88 877	88 877	26 920	26 920
Governmental and municipal companies	44 862	44 862	11 045	11 045
Corporate entities	125 008	125 008	96 898	96 914
Non-profit organizations	8 538	8 538	7 153	7 153
Individuals	117 348	117 348	97 428	97 428
Unallocated amounts due to customers	9 126	9 126	5 829	5 829
Total demand deposits:	399 030	399 030	247 634	247 650
Time deposits:				
National government institutions	21 998	21 998	4 733	4 733
Local government institutions	4 866	4 866	8 531	8 531
Governmental and municipal companies	101 274	101 274	145 644	145 644
Corporate entities	130 263	130 686	157 421	157 421
Non-profit organizations	6 634	6 634	7 286	7 286
Individuals	959 808	959 808	957 575	957 575
Total time deposits:	1 224 843	1 225 266	1 281 190	1 281 190
Total:	1 623 873	1 624 296	1 528 824	1 528 840

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 10 SPECIAL AND LENDING FUNDS

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Special funds	6 202	6 202	4 612	4 612
Lending funds	20 062	20 062	26 680	26 680
Total:	26 264	26 264	31 292	31 292

Special funds consist of compulsory social security and health insurance funds. Special funds have to be available to their contributors on their first demand. Lending funds consist of loans from banks and financial institutions for granting of special purpose credits.

NOTE 11 DEBT SECURITIES IN ISSUE

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
370 days bonds denominated in EUR with discount rate of 7,8 per cent, maturity 15-07-2010	-	-	464	464
370 days bonds denominated in EUR with discount rate of 5,0 per cent, maturity 02-12-2010	3 831	3 831	3 691	3 691
Total:	3 831	3 831	4 155	4 155

NOTE 12 OTHER LIABILITIES

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Accrued charges	3 097	2 480	3 305	2 903
Deferred income	1 052	615	1 340	455
Advances received from the buyers of assets	1 437	-	1 972	-
Amounts payable for finance lease agreements	1 730	-	2 110	-
Payable dividends	69	69	69	69
Other	46 445	46 380	275	204
Total:	53 830	49 544	9 071	3 631

NOTE 13 SHARE CAPITAL

As of 30 September 2010 the Bank's share capital comprised 204 857 533 ordinary registered shares with par value of LTL 1 each. During the reporting period the authorized capital was increased by additional contributions in the amount of LTL 24.5 million. The Charter was registered in a State Enterprise Centre of Registers on 22-06-2010

Sixteen shareholders of the Bank including the European Bank for Reconstruction and Development, UAB Prekybos Namai Aiva, UAB Mintaka, Įmonių Grupė Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė, and Donatas Savickas form a group which has a permit of the Bank of Lithuania to acquire a qualified share of the authorized capital and votes of the Bank equal to and exceeding 50 per cent. As of 30 September 2010, this group possessed 48.36 percent of the authorized capital and votes of the Bank.

As of 30 September 2010, the Bank had 3 583 shareholder (31 December 2009 - 3 525).

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

Shareholder	Number of shares held the right of ownership, units	Share of votes held on the right of ownership, %	Share of votes held together with the related persons, %
The European Bank for Reconstruction and Development (EBRD);	45 965 344	22,44	48,36
Gintaras Kateiva	14 905 214	7,28	48,36
Algirdas Butkus	10 590 328	5,17	48,36

Share premium

The share premium represents the difference between the issue price and nominal value of the shares issued by the Bank. Share premium can be used to increase the Bank's authorized share capital.

Reserve capital

The reserve capital is formed from the Bank's profit and its purpose is to ensure the financial stability of the Bank. The shareholders may decide to use the reserve capital to cover losses incurred.

Statutory reserve

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

Dividends

In 2009, 2010 the annual general meeting of shareholders decided to not to pay dividends.

General reserve to cover possible losses in assets

This reserve is formed from the Bank's profit or additional contributions of shareholders. The purpose of reserve is to cover losses incurred because of the risk related to the major activity of the Bank.

Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. The Group and the Bank have no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

Bank

	30-09-2010	30-09-2009
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	(20 664)	(9 642)
Weighted average number of issued shares (thousand of shares)	189 332	180 358
Earnings per share (in LTL per share)	-0,11	-0,05

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

Group	30-09-2010	30-09-2009
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	(22 952)	(16 897)
Weighted average number of issued shares (thousand of shares)	189 331	180 358
Earnings per share (in LTL per share)	-0,12	-0,09

NOTE 14 NET INTEREST INCOME

	30-09-2010		30-09-2009	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	728	5 302	2 067	9 842
on loans to customers	64 122	64 234	89 539	90 625
on debt securities	12 344	11 740	6 600	6 204
on finance leases	6 656	0	10 356	0
Total interest income	83 850	81 276	108 562	106 671
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(4 794)	(4 794)	(11 176)	(10 660)
on customer deposits and other repayable funds	(51 384)	(51 290)	(69 064)	(69 064)
on debt securities issued	(167)	(167)	(904)	(904)
compulsory insurance of deposits	(5 465)	(5 465)	(4 638)	(4 638)
Total interest expense	(61 810)	(61 716)	(85 782)	(85 266)
Net interest income	22 040	19 560	22 780	21 405

NOTE 15 NET FEE AND COMMISSION INCOME

	30-09-2010		30-09-2009	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	5 332	5 415	4 727	4 844
for payment card services	1 188	1 190	1 595	1 595
for base currency exchange	1 030	1 030	1 438	1 438
for operations with securities	91	91	92	92
other fee and commission income	1 191	1 243	1 516	1 647
Total fee and commission income	8 832	8 969	9 368	9 616
Fee and commission expense:				
for payment card services	(2 250)	(2 250)	(2 396)	(2 396)
for money transfer operations	(858)	(856)	(868)	(820)
for operations with securities	(49)	(49)	(42)	(42)
for base currency exchange	-	(2)	(2)	(2)
other fee and commission expenses	(59)	(7)	(17)	(11)
Total fee and commission expense	(3 216)	(3 164)	(3 325)	(3 271)
Net fee and commission income	5 616	5 805	6 043	6 345

Financial statement of Šiaulių Bankas AB

(all amounts are in LTL thousand, unless otherwise stated)

NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	30-09-2010		30-09-2009	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(13 179)	(11 264)	(14 890)	(12 899)
Rent and maintenance of premises	(2 491)	(2 451)	(2 899)	(2 873)
Office equipment maintenance	(701)	(694)	(692)	(684)
Depreciation of fixed tangible assets	(3 099)	(2 303)	(3 223)	(2 565)
Amortization of intangible assets	(210)	(207)	(318)	(313)
Transportation, post and communications expenses	(1 500)	(1 281)	(1 691)	(1 410)
Real estate tax and other taxes	(679)	(200)	(233)	(187)
Advertising and marketing expenses	(229)	(223)	(293)	(275)
Training and business trip expenses	(28)	(23)	(90)	(66)
Charity	(85)	(62)	(141)	(133)
Service organization expenses	(437)	(433)	(433)	(411)
Other operating expenses	(2 601)	(1 562)	(2 350)	(1 700)
Total:	(25 239)	(20 703)	(27 253)	(23 516)

NOTE 17 RELATED-PARTY TRANSACTIONS

Related parties with the Bank include the members of the Bank's Supervisory Council and Board, shareholders acting jointly in accordance with the Agreement of Shareholders, the close family members of these related parties, legal entities that are controlled, jointly controlled or can be significantly influenced by, or for which significant voting power in such entities resides with the above mentioned related parties and subsidiary companies of the Bank.

In the ordinary course of business the Bank performs banking transactions with major shareholders, members of the Council and the Board, as well as with the subsidiaries.

During 2009, 2010 a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

The year-end balances of loans granted to and deposits accepted from the Bank's related parties, except for subsidiaries, were as follows:

	30-09-2010		31-12-2009	
	Balances of deposits	Balances of loans	Balances of deposits	Balances of loans
Members of the Council and the Board	877	6 730	589	5 987
Other related parties (excluding subsidiaries of the Bank)	7 450	237 920	9 714	264 498
Total:	8 327	244 650	10 303	270 485

Transactions with EBRD:

The balance of the Bank's loans received from the EBRD. As of September 30 st 2010 the total value of the EBRD loan was LTL 61 714 thou (in 2009 – LTL 57 293 thou). The interest related with the loan as well as other expenses comprised LTL 2 142 thou on 30 September 2010 (LTL 2 726 thou on 31 December 2009).

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(all amounts are in LTL thousand, unless otherwise stated)

Balances of transactions with the subsidiaries are given below:

	Balances of deposits	30-09-2010 Balances of loans	Balances of deposits	31-12-2009 Balances of loans
Non-financial institutions	423	104 711	16	78 955
Financial institutions	9	122 513	43	111 430
Total:	432	227 224	59	190 385

Transactions with subsidiaries:

Assets	30-09-2010	31-12-2009
Loans	227 224	190 385
Other assets	22	28
Liabilities and shareholders' equity		
Demand deposits	432	59
Bank's investment	16 889	9 384
	30-09-2010	30-06-2009
Income		
Interest	7 423	11 247
Commission income	164	280
Income from foreign exchange operations	4	1
Dividends	-	6 377
Other income	143	169
Expenses		
Interest	-	-
Commission charges	-	-
Operating expenses	(16)	(20)

NOTE 18 CAPITAL MANAGEMENT

The capital of the Group is calculated and allocated for the risk coverage following the General Regulations for the Calculation of Capital Adequacy approved by the Bank of Lithuania Board. The Group's objectives when managing capital are as follows:

- 1) to comply with the capital requirements set by the Bank of Lithuania as well as the higher target capital requirements set by the major shareholder,
- 2) to safeguard the Bank's and the Group's ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders,
- 3) to support the development of the Group's business with the help of the strong capital base.

Capital adequacy and the use of the regulatory capital are monitored on a daily basis and information regarding capital adequacy is submitted to the supervising authority quarterly in accordance with the Bank of Lithuania requirements.

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(all amounts are in LTL thousand, unless otherwise stated)

The Bank of Lithuania has set the following minimum capital requirements:

- 1) minimum level of capital held must be no less than 5 mill EUR,
- 2) minimum capital adequacy ratio, calculated as the regulatory capital to the risk-weighted assets, must be no less than 8%.

Additional capital need for credit, operational, market and liquidity risk is subject to the regular stress-testing and Internal Capital Adequacy Assessment processing.

The Group's regulatory capital is divided into two tiers:

- 1) tier 1 capital consists of the share capital, share premium, reserve capital, retained earnings of the previous financial year and less the intangible assets,
- 2) tier 2 capital consists of the revaluation reserves of the fixed and financial assets, other reserves.

The regulatory capital is calculated as the sum of the previously mentioned tier 1 and tier 2 capital less the investments in other credit or financial institution.

The risk-weighted assets are measured by means of nine risk weights classified according to the nature of each assets and counterpart, taking into account collaterals and guarantees eligible for risk mitigation. A similar treatment with some adjustments is adopted for the off-balance sheet exposures. Capital requirements for operational risk are calculated using the Basic Indicator Approach.

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group as of June 30st 2010 and of December 31st 2009. During those two years, the Group complied with capital requirements to which it is subject.

	30-09-2010		31-12-2009	
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	204 858	204 858	180 358	180 358
Share premium	46 661	46 661	45 681	45 681
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	9 197	8 375	45 490	38 930
Not audited result	(22 952)	(20 664)	(35 551)	(30 114)
Others reserve	16 667	16 422	16 376	15 981
Less: financial assets revaluation reserve	-	-	(781)	0
Less: Intangible assets	(545)	(542)	(605)	(600)
Total Tier 1 capital	256 497	257 721	253 579	252 847
Tier 2 capital				
85 % financial assets revaluation reserve	1 861	3 026	0	502
Total Tier 2 capital	1 861	3 026	0	502
Less Investments in other credit or financial institutions	0	(1 765)	0	(1 782)
Total capital:	258 358	258 982	253 579	251 567

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(all amounts are in LTL thousand, unless otherwise stated)

Capital requirement:				
Standardised approach credit risk	132 184	132 990	122 038	123 501
Traded debt instruments	2 597	2 339	1 034	775
Equities	15	15	1 809	111
Foreign exchange risk exposure	11 191	12 296	12 145	12 005
Operational risk by Basic indicator's method	8 930	8 354	8 930	8 354
Total capital requirement:	154 917	155 994	145 956	144 746
Capital ratio, %	13,34	13,28	13,90	13,90

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NOTE 19 LIQUIDITY

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or that it will not manage to receive financial resources during a short time by borrowing or selling the assets.

The liquidity risk management

The liquidity risk management depends on the Bank's ability to cover the cash shortage by borrowing from the market; and the liquidity of the market itself. While managing the liquidity risk the relatively small size of the Bank has both positive and negative features. On the one part, in case of liquidity problems, the demand for total funds is rather small in terms of banking system, therefore, they are solved easily. On the other part, in case of liquidity problems the Bank's ability to borrow from the market may decrease significantly. Due to that fact the Bank possesses a significant Debt Securities Portfolio, which is of high liquidity.

Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Bank's Board where strategic and current liquidity risk management measures are distinguished. Strategic (up to 3 months) liquidity risk is evaluated by analyzing the dynamics of various liquidity ratios. A list of these ratios as well as recommended limits to their change are defined in the above-mentioned procedures. Decisions regarding liquidity management issues are made by the Bank's Risk Management Committee with reference to the information submitted by the Bank's Planning and Financial Risks Department or by the Bank's Board with reference to the information submitted by the Risk Management Committee. Current liquidity (up to 10 days) risk management is based on current cash flow analysis and projections. The Treasury Department is responsible for this.

As of September 30st 2010 the above Group's ratio was 42,89 per cent (31-12-2009 -34,61 per cent), and the Bank's – 43,68 per cent (31-12-2009 – 38,23 per cent.).

The tables below disclose the assets and liabilities as of September 30 st 2010 according to their remaining maturity defined in the agreements. However, the real maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward

The structure of the Group's liabilities by maturity as of September 30 st 2010 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	162 047	137 928	134 284	211 401	310 562	667 113	548 476	106 689	2 278 500
Total liabilities and shareholder's equity	411 879	241 547	390 677	312 362	365 488	135 487	160 581	260 479	2 278 500
Net liquidity gap	-249 832	(103 619)	(256 393)	(100 961)	(54 926)	531 626	387 895	(153 790)	-

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(all amounts are in LTL thousand, unless otherwise stated)

The structure of the Group's liabilities by maturity as of December 31st 2009 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	149 492	103 781	152 073	146 707	354 262	581 397	482 562	103 524	2 073 798
Total liabilities and shareholder's equity	257 980	304 051	411 823	332 871	302 329	92 608	116 834	255 302	2 073 798
Net liquidity gap	(108 488)	(200 270)	(259 750)	(186 164)	51 933	488 789	365 728	(151 778)	-

The structure of the Bank's liabilities by maturity as of September 30st 2010 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	161 702	146 322	167 086	267 177	338 464	625 632	496 110	74 706	2 277 199
Total liabilities and shareholder's equity	411 165	239 347	390 203	312 214	365 280	135 430	160 542	263 018	2 277 199
Net liquidity gap	(249 463)	(93 025)	(223 117)	(45 037)	(26 816)	490 202	335 568	(188 312)	-

The structure of the Bank's liabilities by maturity as of December 31st 2009 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	149 272	177 835	156 166	157 969	371 548	536 322	447 182	62 976	2 059 270
Total liabilities and shareholder's equity	256 000	301 606	402 555	332 646	301 990	92 486	116 795	255 192	2 059 270
Net liquidity gap	(106 728)	(123 771)	(246 389)	(174 677)	69 558	443 836	330 387	(192 216)	-

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Non-derivative cash flow

Undiscounted cash flows in the table below describe presumable liability side outflows which are represented by nominal contract amounts together with accrued interest till the end of the contract.

	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Group 30-09-2010							
Liabilities							
Due to banks	-	23 342	10 590	64 078	182 654	52 470	333 134
Due to customers	-	577 330	376 835	619 216	57 794	849	1 632 024
Debt securities in issue	-	-	3 833	-	-	-	3 833
Special and lending fund	-	6 435	131	2 262	17 488	637	26 953
Total liabilities (contractual maturity dates)	-	607 107	391 389	685 556	257 936	53 956	1 995 944
Group 31-12-2009							
Liabilities							
Due to banks	-	39 352	23 105	38 071	123 894	42 786	267 208
Due to customers	-	514 321	394 228	601 480	37 852	698	1 548 579
Debt securities in issue	-	-	-	4 437	-	-	4 437
Special and lending fund	-	5 599	155	3 155	21 561	1 935	32 405
Total liabilities (contractual maturity dates)	-	559 272	417 488	647 143	183 307	45 419	1 852 629

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	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Bank 30-09-2010							
Liabilities							
Due to banks	-	23 351	10 590	64 078	182 654	52 470	333 143
Due to customers	-	577 753	376 835	619 216	57 794	849	1 632 447
Debt securities in issue	-	-	3 883	-	-	-	3 883
Special and lending fund	-	6 435	131	2 262	17 488	637	26 953
Total liabilities (contractual maturity dates)	-	607 539	391 439	685 556	257 936	53 956	1 996 426

	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Bank 31-12-2009							
Liabilities							
Due to banks	-	39 411	14 008	38 071	123 894	42 786	258 170
Due to customers	-	514 258	394 228	601 480	37 852	698	1 548 516
Debt securities in issue	-	-	-	4 437	-	-	4 437
Special and lending fund	-	5 599	155	3 155	21 561	1 935	32 405
Total liabilities (contractual maturity dates)	-	559 268	408 391	647 143	183 307	45 419	1 843 528

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NOTE 20 MARKET RISK

The Group takes on exposure to market risk, which means the risk for the Bank to incur losses due to the adverse fluctuations in the market parameters such as currency exchange rates (foreign currency risk), interest rates (interest rate risk) or equities prices (equity risk). The most significant market risk for a Group is interest rate risk while other market risks are of lower significance.

Foreign exchange risk

The foreign exchange risk management is regulated by the Procedures for Foreign Exchange Risk Management. They include the list of types of sale and purchase transactions executed by the Group. Also they establish principles which help the Group to minimize the exposure to foreign exchange risk. The Group does not implement any operations which could cause open currency positions expecting to earn due to the currency rate shift. The Bank's Board approves and reviews on a regular basis the maximum limits for open currency positions for the Bank's branches, subsidiaries and the Bank itself. The established limits are lower than those allowed by the Bank of Lithuania. The Bank's Treasury Department is responsible for the Group's compliance with the Procedures for Foreign Exchange Risk Management. The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. The Bank also calculates Total open position (TOP), which is the higher of the separately added short and long positions. As of September 30 st 2010 the TOP to capital ratio was: Group's – 0,65 % (31-12-2009: 0,31 %), Bank's – 0,55 % (31-12-2009: 0,31 %).

Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss, i.e. open FX position is multiplied by possible FX rate change. The FX risk parameters for the Group (Bank) have been established in view of the impact of economic slowdown and financial crisis on exchange rates in 2009 and forecasts that currency weakening tendencies will remain in 2010.

Currency	Annual reasonable shift 2011	Annual reasonable shift 2010
USD	8%	8%
GBP	6%	6%
DKK	1%	1%
SEK	5%	5%
LVL	1%	1%
other currencies	6%	6%

The following table presents Group (Bank) sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant:

	30-09-2010		31-12-2009	
	Impact on profit or loss, on equity		Impact on profit or loss, on equity	
	Group	Bank	Group	Bank
USD	13	34	57	57
GBP	40	40	16	16
DKK	2	2	1	1
SEK	10	10	5	5
LVL	2	2	1	1
other currencies	35	36	11	11
Total:	102	124	91	91

The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 124 (102) thousand in 2010 (2009: LTL 91 thousand) and the Group's annual profit and makes LTL 102 thousand in 2010 (2009: LTL 91 thousand) higher/lower impact on profit.

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The Group's open positions of prevailing currencies as of September 30st 2010 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	51 618	1 919	53 537	798 420	1 426 543	2 278 500
Liabilities and shareholder's equity	51 189	672	51 861	660 215	1 566 424	2 278 500
Net balance sheet position	429	1 247	1 676	138 205	(139 881)	-
Currency swaps	0	0	-	0	0	-
Net open position	429	1 247	1 676	138 205	(139 881)	-

The Group's open positions of prevailing currencies as of December 31st 2009 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	42 430	1 087	43 517	808 083	1 222 198	2 073 798
Liabilities and shareholder's equity	43 382	409	43 791	667 087	1 362 920	2 073 798
Net balance sheet position	(952)	678	(274)	140 996	(140 722)	-
Currency swaps	240	84	324	10 034	(10 358)	-
Net open position	(712)	762	50	151 030	(151 080)	-

The Bank's open positions of prevailing currencies as of September 30st 2010 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	51 617	1 919	53 536	812 210	1 411 453	2 277 199
Liabilities and shareholder's equity	51 456	672	52 128	659 926	1 565 145	2 277 199
Net balance sheet position	161	1 247	1 408	152 284	-153 692	-
Currency swaps	0	0	-	0	0	-
Net open position	161	1 247	1 408	152 284	(153 692)	-

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The Bank's open positions of prevailing currencies as of December 31st 2009 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	42 430	1 087	43 517	806 334	1 209 419	2 059 270
Liabilities and shareholder's equity	43 382	409	43 791	667 087	1 348 392	2 059 270
Net balance sheet position	(952)	678	(274)	139 247	(138 973)	-
Currency swaps	240	84	324	10 034	(10 358)	-
Net open position	(712)	762	50	149 281	(149 331)	-

Interest rate risk

An interest rate risk is a risk to incur losses because of the mismatch of re-evaluation possibility between the Bank's assets and liabilities. The risk management is regulated by the Procedures for Interest Rate Risk Management which establish methods of risk measurement and set up measures for risk management. These procedures define that:

- the Bank observes the principle to avoid the speculation with future interest rates;
- the risk size is evaluated applying a pattern of interest rate gap (GAP);
- planning and Financial Risk Department provides the information on regular basis to Risk Management Committee about compliance with relative gap limits and submits proposals to the Bank's Board regarding the establishment of interest rates for credits and deposits.

Sensitivity of interest rate risk

Assessing the sensitivity of the Group's profit towards the change of interest rates, it has been assumed that interest is to change by 1 percentage point.

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Group 30-09-2010

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	307 693	476 513	623 299	115 336	366 401	389 258	2 278 500
Liabilities and shareholder's equity	338 992	433 431	403 141	346 139	56 032	700 765	2 278 500
Net interest sensitivity gap at 30 June 2010	(31 299)	43 082	220 158	(230 803)	310 369	(311 507)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(300)	359	1 376	(577)	-	-	858

Group 31-12-2009

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	286 605	472 954	614 231	132 420	228 567	339 021	2 073 798
Liabilities and shareholder's equity	384 640	504 619	329 762	283 954	37 543	533 280	2 073 798
Net interest sensitivity gap at 31 December 2010	(98 035)	(31 665)	284 469	(151 534)	191 024	(194 259)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(940)	(264)	1 778	(379)			195

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Bank 30-09-2010

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	328 969	503 970	616 787	163 033	373 146	291 294	2 277 199
Liabilities and shareholder's equity	338 992	433 431	403 141	346 139	56 032	699 464	2 277 199
Net interest sensitivity gap at 30 June 2010	(10 023)	70 539	213 646	(183 106)	317 114	(408 170)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(96)	588	1 335	(458)	-	-	1 369

Bank 31-12-2009

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	354 972	450 390	607 277	176 854	215 928	253 849	2 059 270
Liabilities and shareholder's equity	384 640	495 619	329 762	283 954	37 543	527 752	2 059 270
Net interest sensitivity gap at 31 December 2010	(29 668)	(45 229)	277 515	(107 100)	178 385	(273 903)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(284)	(377)	1 734	(268)			805

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Operational risk

The aim of the Bank's operational risk management is to clearly define the operational risk, reduce the operational risk at the Bank to an acceptable level and use the results of the operational risk analysis as the base for the implementation of the risk mitigation processes and its assessment, i.e. to refuse the inefficient measures, implement new ones and maintain the existing means of operational risk management.

The operational risk management system at the Bank includes all the significant fields of the banking activities: operations with cash, investing services (deposits, investment and pension funds), payments and settlements, electronic banking (SB Line, SMS Bank, payment cards), lending (credits, factoring, guarantees and documentary settlements), finance lease, foreign exchange trading, etc.

The Bank also defines the reputation risk as a subcategory of the operational risk.

The reputation risk means an existing or anticipated risk that might have a negative effect on the Bank's revenue and/or capital as a result of adverse opinion about the Bank's reputation which is formed by the clients, counterparties, shareholders and investors. This risk is controlled by adherence to the principle of prudence.

Taking into consideration the nature and scope of the banking activities, the following operational risk sources may be distinguished: information systems (breakdowns of computer hardware and software and telecommunications systems, etc.); human impact (illegal actions of bank employees, illegal actions of external parties, working conditions, errors); and loss of tangible assets (natural disaster, fire, terrorist attacks, etc.).

The operational risk management and control system focuses on the identification of the most problematic places at the Bank in terms of the operational risk. The good functioning within the Bank's internal control system is the main factor mitigating the operational risk at the Bank. The internal control system within the bank is an integral part of the banking day-to-day activities that motivates bank's employees to make the bank's activities more effective; to protect the bank from possible operational risk losses; to ensure that financial and other types of information used for internal, control purposes or by third parties is reliable, precise and presented on a timely basis; to ensure that the bank's activities comply with laws, legal acts of the Bank of Lithuania and other legal acts, the bank's strategy and internal policies.

Since 2005 the Bank has created the registration system to follow the operational risk events. The registration of the operational risk events is a foundation used for disclosing the major sources of the operational risks with the Bank and enables determining operational risk mitigation (preventive) measures.

In order to safeguard that the Bank continues as a going concern the Business Continuity Plan and Procedure for the Provision of Banking Products in the Event of Breakdown of the Bank's Information Systems have been approved. These measures establish procedures and actions to be taken in the event of unforeseen circumstances and emergencies in order to make sure that operational risk is mitigated and avoided and the loss of assets is prevented in case day-to-day activities of the Bank are disrupted.

The Bank's operational risk management system is complimented by the Bank's Business Continuity Management Plan and the Information Security and Emergency Management System created and installed by the IT agency "Blue Bridge".

Taking into consideration the scope of its activities and opportunity to use the historic data related to the operational risk, the Bank has decided to use a basic indicator method established in the Rules on Capital Adequacy Requirements to assess the operational risk.

Stress tests

Besides the regular assessment of the risks and the capital requirement calculation the Group also performs stress tests for the credit, liquidity, market (interest rate and currency), and operational risks. During this process it is determined if the Bank's capital is sufficient to cover the possible losses which may occur because of the financial status impairment. The stress testing is performed once a year in accordance with the requirements set by the Bank of Lithuania.

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21 NOTE SEGMENT INFORMATION

Business segments

Below, there is a summary of major indicators for the main business segments of the Group included in the balance sheet as at 30 September 2010 and in the income statement:

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total:
Internal	7 423	(4 574)	(1 313)	(1 536)	-	-
External	12 137	8 133	751	1 019	-	22 040
Net interest income	19 560	3 559	(562)	(517)	-	22 040
Internal	7 587	(4 736)	(1 314)	(1 537)	-	-
External	17 778	8 083	776	1 019	-	27 656
Net interest, fee and commissions income	25 365	3 347	(538)	(518)	-	27 656
Provision expenses	(36 169)	(1 535)	(18)	(295)	-	(38 017)
Internal	16	(121)	(18)	(22)	145	-
External	(18 209)	(1 526)	(444)	(1 751)	-	(21 930)
Operating expenses	(18 193)	(1 647)	(462)	(1 773)	145	(21 930)
Amortisation charges	(207)	(1)	-	(2)	-	(210)
Depreciation charges	(2 303)	(707)	(11)	(78)	-	(3 099)
Internal	147	(1)	3 507	(61)	(3 592)	-
External	6 804	698	(252)	1 490	-	8 740
Net other income	6 951	697	3 255	1 429	(3 592)	8 740
Profit before tax	(24 556)	154	2 226	(1 237)	(3 447)	(26 860)
Income tax	3 892	16	-	-	-	3 908
Profit per segment after tax	(20 664)	170	2 226	(1 237)	(3 447)	(22 952)
Profit for the year attributable to equity holders of the Bank	(20 664)	170	2 226	(1 237)	(3 447)	(22 952)
Total segment assets	2277 199	128 419	45 065	72 384	(244 567)	2 278 500
Total segment liabilities	2015 376	126 074	39 698	65 799	(227 678)	2 019 269
Net segment assets (shareholders' equity)	261 823	2 345	5 367	6 585	(16 889)	259 231

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Below, there is a summary of major indicators for the main business segments of the Group included in the balance sheet as at 30 September 2009 and in the income statement:

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total:
Internal	11 247	(7 775)	(1 829)	(1 643)	-	-
External	10 158	11 426	465	731	-	22 780
Net interest income	21 405	3 651	(1 364)	(912)	-	22 780
Internal	11 527	(8 053)	(1 830)	(1 644)	-	-
External	16 223	11 377	481	742	-	28 823
Net interest, fee and commissions income	27 750	3 324	(1 349)	(902)	-	28 823
Provision expenses	(22 957)	(2 760)	(277)	(4)	-	(25 998)
Internal	20	(151)	(18)	(20)	169	-
External	(20 658)	(1 633)	(477)	(944)	-	(23 712)
Operating expenses	(20 638)	(1 784)	(495)	(964)	169	(23 712)
Amortization charges	(313)	(3)	-	(2)	-	(318)
Depreciation charges	(2 565)	(597)	(13)	(48)	-	(3 223)
Internal	6 547	(1)	-	-	(6 546)	-
External	2 414	234	2 365	2 381	-	7 394
Net other income	8 961	233	2 365	2 381	(6 546)	7 394
Profit before tax	(9 762)	(1 587)	231	461	(6 377)	(17 034)
Income tax	120	17	-	-	-	137
Profit per segment after tax	(9 642)	(1 570)	231	461	(6 377)	(16 897)
Profit for the year attributable to equity holders of the Bank	(9 642)	(1 570)	231	461	(6 377)	(16 897)
Total segment assets	2027 469	136 728	43 652	44 753	(212 055)	2 040 547
Total segment liabilities	1753 662	136 106	39 268	38 902	(200 898)	1 767 040
Net segment assets (shareholders' equity)	273 807	622	4 384	5 851	(11 157)	273 507