

CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Audrius Žiugžda and Chief Accountant Vita Adomaitytė, confirm that as far as we know, consolidated financial statements for the 1st half-year of 2011 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. As far as we know, the interim report contains the correct review of the business development and activities.

Chief Executive Officer



Audrius Žiugžda

Chief Accountant



Vita Adomaitytė

29-08-2011



FINANCIAL STATEMENT

30 JUNE 2011

Tilžės 149, LT-76348 Šiauliai
tel.+370 41 595607, fax +370 41 430774
[e-mail info@sb.lt](mailto:info@sb.lt)
www.sb.lt

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

CONTENTS

THE GROUP'S AND BANK'S BALANCE SHEET	3
THE GROUP'S AND BANK'S STATEMENT OF COMPREHENSIVE INCOME	4
THE GROUP'S AND BANK'S CASH FLOW STATEMENT	6
THE GROUP'S AND BANK'S STATEMENT OF CHANGES IN EQUITY	7
CONSOLIDATION OF FINANCIAL STATEMENTS, AMENDMENTS IN ACCOUNTING POLICY	9
NOTES TO THE FINANCIAL STATEMENTS	10

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	30-06-2011		31-12-2010	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	2	179 550	179 525	208 400	208 397
Due from other banks	3	4 147	4 147	4 147	4 147
Trading securities	6	51 587	51 587	81 326	78 406
Derivative financial instruments		38	38	-	-
Loans to customers	4	1 653 885	1 889 179	1 438 387	1 657 609
Finance lease receivables	5	116 852	-	103 988	-
Investment securities:					
- available-for-sale	6	143 710	129 487	103 598	89 375
- held-to-maturity	6	229 270	216 700	214 055	207 635
Investments in subsidiaries	6	0	16 889	0	16 889
Intangible assets		876	650	608	606
Tangible fixed assets		72 092	44 122	67 156	43 699
Prepaid income tax		425	415	1 615	1 598
Deferred income tax assets		9 409	9 294	10 407	10 177
Other assets	7	83 246	13 167	88 472	16 116
Assets related with subsidiaries to sale	7	13 466	-	12 455	0
Total assets		2 558 553	2 555 200	2 334 614	2 334 654
LIABILITIES					
Due to other banks and financial institutions	8	425 862	425 913	369 067	369 091
Due to customers	9	1 806 368	1 806 702	1 672 299	1 672 394
Special and lending funds	10	20 788	20 788	28 011	28 011
Debt securities in issue	11	5 390	5 390	5 291	5 291
Liabilities related with subsidiaries to sale	7	1 266	-	882	-
Other liabilities	12	12 352	4 836	7 883	3 720
Share capital paid but not registered		31 200	31 200	-	-
Total liabilities		2 303 226	2 294 829	2 083 433	2 078 507
EQUITY					
Share capital	13	204 858	204 858	204 858	204 858
Share premium	13	46 661	46 661	46 661	46 661
Reserve capital	13	2 611	2 611	2 611	2 611
General reserve to cover possible losses in assets	13	-	-	10 000	10 000
Statutory reserve	13	960	648	6 667	6 422
Financial assets revaluation reserve		(2 166)	(795)	(2)	1 369
Retained earnings		2 403	6 388	(19 614)	(15 774)
Total equity		255 327	260 371	251 181	256 147
Total liabilities and equity		2 558 553	2 555 200	2 334 614	2 334 654

The notes on pages 10-38 constitute an integral part of these financial statements

Chief executive Officer



Audrius Žiugžda

Chief accountant



Vita Adomaitytė

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

	Notes	30-06-2011		30-06-2010	
		Group	Bank	Group	Bank
Continuing operations					
Interest and similar income	14	55 444	53 300	57 876	56 075
Interest expense and similar charges	14	(32 865)	(32 866)	(44 137)	(44 043)
Net interest income		22 579	20 434	13 739	12 032
Fee and commission income	15	6 453	6 486	5 554	5 659
Fee and commission expense	15	(2 538)	(2 532)	(2 018)	(1 987)
Net fee and commission income		3 915	3 954	3 536	3 672
Allowance for impairment losses		(2 897)	(2 936)	(20 149)	(18 630)
Net gain on operations with securities		619	619	2 193	2 193
Net foreign exchange gain		1 494	1 497	1 257	1 259
Gain on disposal of assets		641	14	548	18
Other income		1 160	397	422	236
Administrative and other operating expenses	16	(19 716)	(16 511)	(16 745)	(14 125)
(Losses) profit from continuing operations		7 795	7 468	(15 199)	(13 345)
Dividends from investments in subsidiaries		-	-	-	-
(Losses) profit before income tax		7 795	7 468	(15 199)	(13 345)
Discontinued operations:		-	-	-	-
(Losses) profit from discontinued operations before tax	7	(284)	-	-	-
Income tax expense		(1 195)	(1 080)	2 223	2 228
(Losses) profit for the year		6 316	6 388	(12 976)	(11 117)
Other comprehensive (loss) income					
Gain (losses) from revaluation of financial assets		(2 362)	(2 362)	2 460	2 460
Deferred income tax on (loss) gain from revaluation of financial assets		198	198	(95)	(95)
Other comprehensive (loss) income, net of tax		(2 164)	(2 164)	2 365	2 365
Total comprehensive (losses) income		4 152	4 224	(10 611)	(8 752)
Profit is attributable to:					
Equity holders of the Bank		6 316	6 388	(12 976)	(11 117)
from continuing operations		6 600	6 388	(12 976)	(11 117)
from discontinued operations		(284)	-	-	-
Minority interest		-	-	-	-
(Losses) profit for the year					
Equity holders of the Bank		4 152	4 224	(10 611)	(8 752)
Minority interest		-	-	-	-
Basic earnings (losses) per share, net (in LTL per share)	13	0,03	0,03	-0,07	-0,06

The notes on pages 10-38 constitute an integral part of these financial statements

Chief executive Officer

Audrius Žiugžda

Chief accountant

Vita Adomaitytė

29 August 2011

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

	FROM 04 TO 06 MONTH 2011		FROM 04 TO 06 MONTH 2010	
	Group	Bank	Group	Bank
Continuing operations				
Interest and similar income	28 600	27 765	27 555	26 641
Interest expense and similar charges	(16 311)	(16 311)	(19 359)	(19 359)
Net interest income	12 289	11 454	8 196	7 282
Fee and commission income	3 425	3 459	2 936	2 990
Fee and commission expense	(1 361)	(1 352)	(1 061)	(1 045)
Net fee and commission income	2 064	2 107	1 875	1 945
Allowance for impairment losses	(2 880)	(3 099)	(10 546)	(9 673)
Net gain on operations with securities	575	575	1 053	1 053
Net foreign exchange gain	875	878	791	793
Gain on disposal of assets	311	25	514	15
Other income	662	256	375	116
Administrative and other operating expenses	(9 942)	(8 341)	(8 075)	(6 676)
(Losses) profit from continuing operations	3 954	3 855	(5 817)	(5 145)
Dividends from investments in subsidiaries	-	-	-	-
(Losses) profit before income tax	3 954	3 855	(5 817)	(5 145)
Discontinued operations:				
(Losses) profit from discontinued operations before tax	(378)	-	-	-
Income tax expense	(591)	(532)	966	928
(Losses) profit for the period	2 985	3 323	(4 851)	(4 217)

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

	30-06-2011		30-06-2010	
	Group	Bank	Group	Bank
Operating activities				
Interest received	45 661	44 905	52 113	50 981
Interest paid	(31 508)	(31 509)	(44 857)	(44 763)
Net cash received from service and commission fees	3 915	3 954	3 536	3 672
Net cash received from operations in trading securities	605	605	2 398	2 398
Net cash received from operations in foreign currency	1 556	1 559	356	358
Cash received from previously written-off loans	341	344	482	307
Salaries and related payments to and on behalf of employees	(10 874)	(9 493)	(9 038)	(7 741)
Other receipts (payments)	(6 127)	(5 261)	(3 669)	(3 813)
Income tax paid	-	-	30	-
Net cash flow from operating activities before change in short-term assets and liabilities	3 569	5 104	1 351	1 399
(Increase) decrease in assets:				
Decrease in trading securities	27 850	27 850	(84 154)	(84 154)
Decrease in loans to credit and financial institutions	570	(8 920)	8 820	17 785
(Increase) in loans to customers	(233 025)	(226 334)	3 098	(31 594)
Decrease in other assets	8 528	6 609	(1 235)	780
Increase in liabilities				
Increase in liabilities to credit and financial institutions	57 716	57 743	12 115	21 077
Increase in deposits, special and leanding funds	124 667	124 906	62 669	62 861
Increase in other liabilities	5 475	1 985	(1 960)	263
Change	(8 219)	(16 161)	(647)	(12 982)
Net cash flow from operating activities	(4 650)	(11 057)	704	(11 583)
Investing activities				
(Purchase) of tangible and intangible fixed assets	(7 236)	(2 268)	(5 542)	(529)
Disposal of tangible and intangible fixed assets	1 297	670	1 017	469
(Acquisition) of held to maturity securities	(26 966)	(23 966)	(59 806)	(56 452)
Proceeds from redemption of held to maturity securities	20 430	19 474	10 238	10 238
(Acquisition) of available-for-sale securities	(160 686)	(160 686)	(96 484)	(84 484)
Disposal of available-for-sale securities	121 380	121 380	83 675	83 675
(Acquisition) of subsidiary	-	-	-	(7 505)
Dividends received	41	41	67	67
Net cash used in investing activities	(51 740)	(45 355)	(66 835)	(54 521)
Financing activities				
Increase in share capital	27 540	27 540	25 480	25 480
Dividends paid	-	-	-	-
Payment to minority shareholders	-	-	-	-
Debt securities issued	-	-	383	383
Debt securities repurchased and redeemed	-	-	(383)	(383)
Net cash flow from financing activities	27 540	27 540	25 480	25 480
Net increase in cash and cash equivalents	(28 850)	(28 872)	(40 651)	(40 624)
Cash and cash equivalents at 1 January	208 400	208 397	168 708	168 651
Cash and cash equivalents at 30 June	179 550	179 525	128 057	128 027

FINANCIAL STATEMENT 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 2009	180 358	45 681	2 611	15 595	9 939	254 184	-	254 184
Increasing of capital	24 500	980	-	-	-	25 480	-	25 480
Formation of reserve	-	-	-	441	(441)	-	-	-
Financial assets revaluation reserve	-	-	-	2 460	-	2 460	-	2 460
Recognition of deferred income tax	-	-	-	(95)	-	(95)	-	(95)
Others transfers	-	-	-	(150)	(306)	(456)	-	(456)
Profit (loss) for the year	-	-	-	-	(12 976)	(12 976)	-	(12 976)
30 June 2010	204 858	46 661	2 611	18 251	(3 784)	268 597	-	268 597
Financial assets revaluation reserve	-	-	-	(1 861)	-	(1 861)	-	(1 861)
Recognition of deferred income tax	-	-	-	275	-	275	-	275
Others transfers	-	-	-	-	(514)	(514)	-	(514)
Profit for the year	-	-	-	-	(15 316)	(15 316)	-	(15 316)
31 December 2010	204 858	46 661	2 611	16 665	(19 614)	251 181	-	251 181
Financial assets revaluation reserve	-	-	-	(2 362)	-	(2 362)	-	(2 362)
Recognition of deferred income tax	-	-	-	198	-	198	-	198
Others transfers	-	-	-	(15 707)	15 701	(6)	-	(6)
Profit (loss) for the year	-	-	-	-	6 316	6 316	-	6 316
30 June 2011	204 858	46 661	2 611	(1 206)	2 403	255 327	-	255 327

FINANCIAL STATEMENT 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 2009	180 358	45 681	2 611	590	15 981	8 816	254 037
Increasing of capital	24 500	980	-	-	-	-	25 480
Formation of reserve	-	-	-	-	441	(441)	-
Financial assets revaluation reserve	-	-	-	2 460	-	-	2 460
Recognition of deferred income tax	-	-	-	(95)	-	-	(95)
Profit (loss) for the year	-	-	-	-	-	(11 117)	(11 117)
30 June 2010	204 858	46 661	2 611	2 955	16 422	(2 742)	270 765
Financial assets revaluation reserve	-	-	-	(1 861)	-	-	(1 861)
Recognition of deferred income tax	-	-	-	275	-	-	275
Profit (loss) for the year	-	-	-	-	-	(13 032)	(13 032)
31 December 2010	204 858	46 661	2 611	1 369	16 422	(15 774)	256 147
Financial assets revaluation reserve	-	-	-	(2 362)	-	-	(2 362)
Recognition of deferred income tax	-	-	-	198	-	-	198
Others transfers	-	-	-	-	(15 774)	15 774	-
Profit (loss) for the year	-	-	-	-	-	6 388	6 388
30 June 2011	204 858	46 661	2 611	(795)	648	6 388	260 371

FINANCIAL STATEMENT 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 June 30 th 2011 the Bank had 491 employee (31 December 2010: 481). As of June 30 th 2011 the Group had 557 employees (31 December 2010: 545 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, concentration risk and operational 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 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 38 client services.

As of June 30 th 2011 the number of the bank's clients included 273 municipal companies and governmental companies, 59 state companies, 50 agricultural companies, 31 economic partnership, 5 085 limited liability public companies, 1 540 private companies, 601 non-profit making and public sector company and 1 241 other organization as well as 123 637 individuals.

As of June 30 th 2011 and December 31 st 2010 the bank controlled 5 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 – 30 th June 2011 – LTL 5 000 thou), 100 % of "Šiaulių banko investicijų valdymas" UAB (acquisition value – 30 th June 2011 - LTL 4 040 thou), 100 % of "Šiaulių banko turto fondas" UAB (acquisition value – 30 th June 2011 -LTL 5 117 thou), 100 % of "Minera" UAB (acquisition value – 30 th June 2011 -LTL 5 505 thou), 100 % of "SBTF" UAB (acquisition value – 30 th June 2011- 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

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Cash and other valuables	40 546	40 521	34 605	34 602
Mandatory reserves in national currency	51 485	51 485	67 381	67 381
Correspondent bank accounts	41 646	41 646	12 744	12 744
Banks time deposits	44 861	44 861	68 006	68 006
Correspondent account with central bank	1 012	1 012	25 664	25 664
Total:	179 550	179 525	208 400	208 397

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

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Due from other banks	4 147	4 147	4 147	4 147
Total:	4 147	4 147	4 147	4 147

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 4 LOANS TO CUSTOMERS

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

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

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

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

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

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Cash and balances with central banks	179 550	179 525	208 400	208 397
Loans and advances to banks	4 147	4 147	4 147	4 147
Loans and advances to customers:	1653 885	1889 179	1438 387	1657 609
Loans and advances to financial institutions	-	128 479	570	119 342
Loans to individuals (Retail)	196 695	194 024	202 569	191 321
Loans to business customers	1305 543	1566 676	1235 248	1346 946
Finance lease receivables	116 852	-	103 988	-
Trading assets:	-	-	-	-
Debt securities	51 165	51 165	81 228	78 308
Equity securities	422	422	98	98
Derivative financial instruments	-	-	-	-
Securities available for sale	-	-	-	-
Debt securities	127 734	127 734	87 626	87 626
Equity securities	15 976	1 753	15 972	1 749
Investment securities held to maturity	-	-	-	-
Debt securities	229 270	216 700	214 055	207 635
Other financial assets	26 464	3 660	35 254	12 025
Credit risk exposures relating to off-balance sheet items are as follows:			-	-
Financial guarantees	70 015	70 105	62 025	62 070
Letters of credit	4 197	4 197	4 472	4 472
Loan commitments and other credit related liabilities	176 830	176 244	94 145	89 495
June 30/ December 31	2 656 507	2 724 831	2 349 797	2 413 631

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Loans are summarised as follows:	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Loans to business customers	1 516 484	1 763 057	1 302 230	1 532 232
Loans to individuals	220 296	207 169	216 537	203 232
Gross	1 736 780	1 970 226	1 518 767	1 735 464
Allowance for impairment	82 895	81 047	80 380	77 855
Net	1 653 885	1 889 179	1 438 387	1 657 609

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Neither past due not impaired	1 401 188	1 640 152	1 281 030	1 502 817
Past due but not impaired	175 140	173 738	73 768	72 535
Impaired	160 452	156 336	163 969	160 112
Gross	1 736 780	1 970 226	1 518 767	1 735 464
Allowance for impairment	82 895	81 047	80 380	77 855
Net	1 653 885	1 889 179	1 438 387	1 657 609

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

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

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

The list of loss events:

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

Loans and advances past due but not impaired

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Past due up to 30 days	133 020	131 801	44 487	43 500
Past due 31-60 days	25 203	25 089	11 916	11 686
Past due 61-90 days	4 917	4 848	2 826	2 810
Past due more than 90 days	12 000	12 000	14 539	14 539
Total	175 140	173 738	73 768	72 535
Fair value of collateral	247 232	247 232	121 677	121 677

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Loans and advances impaired

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Impaired loans	160 452	156 336	163 969	160 112
Fair value of collateral	100 159	98 609	109 643	108 957

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 summarised as follows:

	30-06-2011	31-12-2010
Business customers	108 083	90 965
Individuals	10 355	14 975
Gross	118 438	105 940

	30-06-2011	31-12-2010
Neither past due not impaired	66 663	74 148
Past due but not impaired	48 352	26 735
Impaired	3 423	5 057
Gross	118 438	105 940
Allowance for impairment	1 586	1 952
Net	116 852	103 988

	30-06-2011		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	1 895	26 792	28 687
residential real estate	391	42 379	42 770
airplanes	-	8 790	8 790
rolling-stock	-	687	687
production equipment	80	16 963	17 043
other equipment	963	6 122	7 085
other assets	7 026	6 350	13 376
Total:	10 355	108 083	118 438

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

	31-12-2010		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	1 239	12 424	13 663
residential real estate	443	41 370	41 813
airplanes	-	9 306	9 306
rolling-stock	-	774	774
production equipment	94	14 303	14 397
other equipment	1 136	5 068	6 204
other assets	12 063	7 720	19 783
Total:	14 975	90 965	105 940

NOTE 6 SECURITIES

Trading securities	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Debt securities:				
Private enterprise bonds of the Republic of Lithuania	-	-	16 496	13 576
Government bonds of the Republic of Lithuania	26 187	26 187	63 444	63 444
Government bonds of foreign states	3 687	3 687	-	-
State companies bonds of foreign states	4 679	4 679	1 288	1 288
Private enterprise bonds of foreign states	16 612	16 612	-	-
Nuosavybės vertybiniai popieriai:	-	0	-	-
Listed equity securities	329	329	-	-
Unlisted equity securities	-	-	2	2
Units of funds	93	93	96	96
Total:	51 587	51 587	81 326	78 406

Bank 30-06-2011	State companies debt securities		Corporate debt securities	Corporate equity securities	Investment fund units
	Treasury bills	-	-	-	-
from AA-to AAA	-	-	1 697	-	-
from A- to A+	-	1 254	5 941	-	-
from BBB- to BBB+	4 679	28 620	8 119	-	-
from BB- to BB+	-	-	855	-	-
below už BB-	-	-	-	105	-
no rating	-	-	-	224	93
Total:	4 679	29 874	16 612	329	93

Bank 31-12-2010	State companies debt securities		Corporate debt securities	Corporate equity securities	Investment fund units
	Treasury bills	-	-	-	-
from AA-to AAA	-	-	1 689	-	-
from A- to A+	-	-	4 170	-	-
from BBB- to BBB+	1 288	63 444	6 885	-	-
from BB- to BB+	-	-	832	-	-
below už BB-	-	-	-	-	-
no rating	-	-	-	2	96
Total:	1 288	63 444	13 576	2	96

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Group 30-06-2011	State companies debt securities		Corporate debt securities	Corporate equity securities	Investment fund units
	Treasury bills				
from AA-to AAA	-	-	1 697	-	-
from A- to A+	-	1 254	5 941	-	-
from BBB- to BBB+	4 679	28 620	8 119	-	-
from BB- to BB+	-	-	855	-	-
below už BB-	-	-	-	105	-
no rating	-	-	-	224	93
Total:	4 679	29 874	16 612	329	93

Group 31-12-2010	State companies debt securities		Corporate debt securities	Corporate equity securities	Investment fund units
	Treasury bills				
from AA-to AAA	-	-	1 689	-	-
from A- to A+	-	-	4 170	-	-
from BBB- to BBB+	1 288	63 444	6 885	-	-
from BB- to BB+	-	-	832	-	-
below už BB-	-	-	-	-	-
no rating	-	-	2 920	2	96
Total:	1 288	63 444	16 496	2	96

Investment securities

Securities available-for-sale:

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Debt securities				
Private enterprise bonds the Republic of Lithuania	3 144	3 144	3 216	3 216
Government bonds of the Republic of Lithuania	65 452	65 452	46 594	46 594
Government bonds of foreign states	34 251	34 251	27 595	27 595
Private enterprise bonds of foreign states	24 887	24 887	10 221	10 221
Equity securities	-	-	0	0
Listed equity securities	-	-	0	0
Unlisted equity securities	15 614	1 391	15 614	1 391
Units of funds	362	362	358	358
Total:	143 710	129 487	103 598	89 375

Securities held-to-maturity

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Debt securities				
Private enterprise bonds the Republic of Lithuania	12 570	-	6 420	-
Government bonds of the Republic of Lithuania	177 367	177 367	166 602	166 602
Government bonds of foreign states	28 852	28 852	29 250	29 250
Private enterprise bonds of foreign states	10 481	10 481	11 783	11 783
Total:	229 270	216 700	214 055	207 635

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

	Treasury bills	Municipality debt securities	Corporate debt securities
Bank 30-06-2011			
from AA-to AAA	7 967	-	6 906
from A- to A+	10 452	-	-
from BBB- to BBB+	184 504	726	3 575
from BB- to BB+	0	-	-
below už BB-	2 570	-	-
no rating	-	-	-
Total:	205 493	726	10 481

	Treasury bills	Municipality debt securities	Corporate debt securities
Bank 31-12-2010			
from AA-to AAA	8 120	-	-
from A- to A+	10 662	-	6 785
from BBB- to BBB+	173 666	709	4 998
from BB- to BB+	2 695	-	-
below už BB-	-	-	-
no rating	-	-	-
Total:	195 143	709	11 783

	Treasury bills	Municipality debt securities	Corporate debt securities
Group 30-06-2011			
from AA-to AAA	7 967	-	6 906
from A- to A+	10 452	-	-
from BBB- to BBB+	184 504	726	3 575
from BB- to BB+	0	-	-
below už BB-	2 570	-	-
no rating	12 570	-	0
Total:	218 063	726	10 481

	Treasury bills	Municipality debt securities	Corporate debt securities
Group 31-12- 2010			
from AA-to AAA	8 120	-	-
from A- to A+	10 662	-	6 785
from BBB- to BBB+	173 666	709	4 998
from BB- to BB+	2 695	-	-
below už BB-	-	-	-
no rating	-	-	6 420
Total:	195 143	709	18 203

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Investments in subsidiaries

	30-06-2011		
	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

	31-12-2010		
	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

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

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Assets held for sale	38 872	-	42 961	-
Amounts receivable	26 464	3 660	35 254	12 025
Deferred expenses	3 141	2 581	2 791	2 528
Prepayments	525	382	4 491	918
Foreclosed assets	10 868	5 933	1 442	246
Other	3 376	611	1 533	399
Total:	83 246	13 167	88 472	16 116

In 2010 Kėdainių oda UAB, a company controlled by the subsidiary of the Bank Šiaulių banko investicijų valdymas UAB, has become material to the Group and therefore is consolidated in these financial statements. The management of the Bank is taking steps to sell the investment into Kėdainių oda UAB in the near future, therefore assets, liabilities and profit and loss related to this subsidiary are disclosed in these financial statements as related to the subsidiary that is held for sale (of sale or balance value).

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Note 7 continued

Sales income	3 525
Cost of goods sold	(3 264)
Gross profit (loss)	261
Sales and marketing expenses	-
Operating expenses	(935)
Other income (expenses)	-
Operating profit (loss)	(674)
Net profit (loss) from financial activities	-
(Loss) profit before income tax	(674)
Income tax	390
(Loss) profit from before impairment provision	(284)
(Loss) related to an impairment provision regarding the impairment of assets held (see below)	-
Net profit (loss) for the year	(284)

Identified that the recoverable amount is not lower than the book value of the assets therefore no impairment has been recognised.

Long term assets	10 170
Short term assets (except for cash & cash equivalents)	2 849
Cash & cash equivalents	0
Deferred income tax assets	447
Total assets	13 466
Long term liabilities	0
Short term liabilities	1 266
Total liabilities	1 266
Total net assets related to discontinued operations	12 200
Net assets attributable to Group	12 200

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	7 781	7 787	26 417	26 441
Time deposits	95 761	95 806	62 317	62 317
Total:	103 542	103 593	88 734	88 758
Loans received:				
Loans from other banks	78 662	78 662	89 919	89 919
Loans from international organisations	54 323	54 323	57 251	57 251
Loans from financial institutions	189 335	189 335	133 163	133 163
Total:	322 320	322 320	280 333	280 333
Total:	425 862	425 913	369 067	369 091

NOTE 9 DUE TO CUSTOMERS

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	29 103	29 103	28 388	28 388
Local government institutions	70 980	70 980	58 364	58 364
Governmental and municipal companies	57 044	57 044	49 940	49 940
Corporate entities	140 636	140 970	127 925	128 020
Non-profit organisations	9 138	9 138	8 361	8 361
Individuals	142 734	142 734	129 131	129 131
Unallocated amounts due to customers	17 208	17 208	3 698	3 698
Total demand deposits:	466 843	467 177	405 807	405 902
Time deposits:				
National government institutions	12 832	12 832	10 037	10 037
Local government institutions	5 191	5 191	801	801
Governmental and municipal companies	96 099	96 099	102 771	102 771
Corporate entities	158 376	158 376	154 510	154 510
Non-profit organisations	8 264	8 264	8 589	8 589
Individuals	1 058 763	1 058 763	989 784	989 784
Total time deposits:	1 339 525	1 339 525	1 266 492	1 266 492
Total:	1 806 368	1 806 702	1 672 299	1 672 394

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 10 SPECIAL AND LENDING FUNDS

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Special funds	5 427	5 427	9 289	9 289
Lending funds	15 361	15 361	18 722	18 722
Total:	20 788	20 788	28 011	28 011

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

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
260 days coupon bonds in LTL with rate of 3,8 per cent, maturity 05-07-2011	5 390	5 390	5 291	5 291
Total:	5 390	5 390	5 291	5 291

NOTE 12 OTHER LIABILITIES

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Accrued charges	4 073	3 489	3 399	2 934
Deferred income	1 043	656	922	519
Advances received from the buyers of assets	1 233	-	1 699	0
Amounts payable for finance lease agreements	4 769	-	1 503	0
Payable dividends	41	41	67	67
Other liabilities	1 193	650	293	200
Total:	12 352	4 836	7 883	3 720

NOTE 13 SHARE CAPITAL

As of 30 June 2011 the Bank's share capital comprised 204 857 533 ordinary registered shares with par value of LTL 1 each.

Shareholders including the European Bank for Reconstruction and Development, Trade-house Aiva UAB, Mintaka UAB, Company Group Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigintas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Audrius Žiugžda, Arūnas Užupis, Daiva Kiburienė, Vita Adomaitytė and Donatas Savickas comprise the group of shareholders, whose votes are calculated jointly. As of 30 June 2011, this group possessed 48.31 percent of the authorised capital and votes of the Bank.

As of 30 June 2011, the Bank had 3 726 shareholder (31 December 2010 - 3 601).

FINANCIAL STATEMENT 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	48,31
Gintaras Kateiva	14 660 214	7,16	48,31
Algirdas Butkus	10 590 328	5,17	48,31

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 authorised 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 2010, 2011 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	30-06-2011	30-06-2010
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	6 388	(11 117)
Weighted average number of issued shares (thousand of shares)	204 858	181 440
Basic earnings per share (in LTL per share)	0,03	-0,06

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Group	30-06-2011	30-06-2010
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	6 316	(12 976)
Weighted average number of issued shares (thousand of shares)	204 858	181 440
Basic earnings per share (in LTL per share)	0,03	-0,07

NOTE 14 NET INTEREST INCOME

	30-06-2011		30-06-2010	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	970	3 179	482	3 663
on loans to customers	41 139	41 585	44 818	44 901
on debt securities	9 722	8 536	7 891	7 511
on finance leases	3 613	0	4 685	0
Total interest income	55 444	53 300	57 876	56 075
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(6 352)	(6 352)	(2 547)	(2 453)
on customer deposits and other repayable funds	(22 422)	(22 422)	(37 874)	(37 874)
on debt securities issued	(101)	(101)	(117)	(117)
compulsory insurance of deposits	(3 990)	(3 990)	(3 599)	(3 599)
Total interest expense	(32 865)	(32 865)	(44 137)	(44 043)
Net interest income	22 579	20 435	13 739	12 032

NOTE 15 NET FEE AND COMMISSION INCOME

	30-06-2011		30-06-2010	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	4 066	4 110	3 281	3 339
for payment card services	855	865	758	760
for base currency exchange	694	695	647	648
for operations with securities	71	71	59	59
other fee and commission income	767	745	809	853
Total fee and commission income	6 453	6 486	5 554	5 659
Fee and commission expense:				
for payment card services	(1 805)	(1 805)	(1 440)	(1 442)
for money transfer operations	(681)	(676)	(532)	(506)
for operations with securities	(44)	(44)	(32)	(32)
for base currency exchange	(1)	(1)	-	(1)
other fee and commission expenses	(7)	(6)	(14)	(6)
Total fee and commission expense	(2 538)	(2 532)	(2 018)	(1 987)
Net fee and commission income	3 915	3 954	3 536	3 672

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	30-06-2011		30-06-2010	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(11 518)	(9 833)	(9 099)	(7 802)
Rent and maintenance of premises	(1 940)	(1 911)	(1 749)	(1 703)
Office equipment maintenance	(502)	(492)	(476)	(471)
Depreciation of fixed tangible assets	(2 125)	(1 561)	(2 079)	(1 546)
Amortisation of intangible assets	(118)	(115)	(152)	(149)
Transportation, post and communications expenses	(1 123)	(963)	(1 031)	(866)
Real estate tax and other taxes	(563)	(120)	(415)	(127)
Advertising and marketing expenses	(199)	(182)	(183)	(178)
Training and business trip expenses	(61)	(38)	(26)	(22)
Charity	(116)	(108)	(35)	(32)
Service organisation expenses	(351)	(341)	(328)	(324)
Other operating expenses	(1 100)	(847)	(1 172)	(905)
Total:	(19 716)	(16 511)	(16 745)	(14 125)

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 2010, 2011 a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

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

	30-06-2011		31-12-2010	
	Balances of deposits	Balances of loans	Balances of deposits	Balances of loans
Members of the Council and the Board	970	6 628	921	6 784
Other related parties (excluding subsidiaries of the Bank)	9 641	205 532	4 705	233 488
Total:	10 611	212 160	5 626	240 272

Transactions with EBRD:

The balance of the Bank's loans received from the EBRD . As of June 30 th 2011 the total value of the EBRD loan was LTL 94 054 thou (in 31-12-2010 – LTL 95 950 thou). The interest related with the loan as well as other expenses comprised LTL 2 569 thou on 30 June 2011 (LTL 3 029 thou on 31 December 2010).

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Balances of transactions with the subsidiaries are given below:

		30-06-2011		31-12-2010
	Balances of	Balances of	Balances of	Balances of
	deposits	loans	deposits	loans
Non-financial institutions	334	141 218	95	128 466
Financial institutions	51	128 479	24	118 772
Total:	385	269 697	119	247 238

Transactions with subsidiaries:

Assets	30-06-2011	31-12-2010
Loans	269 697	247 238
Other assets	21	21
Liabilities and shareholders' equity		
Demand deposits	385	119
Bank's investment	16 889	16 889
Other liabilities	74	-
	30-06-2011	30-06-2010
Income		
Interest	2 268	5 101
Commission income	44	118
Income from foreign exchange operations	-	2
Dividends	-	-
Other income	48	76
Expenses		
Interest	-	-
Commission charges	-	-
Operating expenses	(38)	(7)

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.

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

(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 30 th 2011 and of December 31st 2010. During those two years, the Group complied with capital requirements to which it is subject.

	30-06-2011		31-12-2010	
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	204 858	204 858	204 858	204 858
Share premium	46 661	46 661	46 661	46 661
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	(3 913)	-	8 678	8 375
Not audited result	-	-	(28 292)	(24 149)
Others reserve	960	648	16 667	16 422
Less: financial assets revaluation reserve	(2 166)	(795)	(2)	-
Less: Intangible assets	(876)	(650)	(608)	(606)
Total Tier 1 capital	248 135	253 333	250 573	254 172
Tier 2 capital				
85 % financial assets revaluation reserve	-	-	-	1 164
Total Tier 2 capital	-	-	-	1164
Less Investments in other credit or financial institutions	-	(1 707)	-	(1 762)
Total capital:	248 135	251 626	250 573	253 574

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

Note 18 continued

Capital requirement:

Standardised approach credit risk	149 398	150 024	131 965	131 810
Traded debt instruments	1 428	1 428	2 039	1 784
Equities	51	51	12	12
Foreign exchange risk exposure	2 898	3 725	1 882	3 050
Operational risk by Basic indicator's method	8 084	7 600	8 084	7 600
Total capital requirement:	161 859	162 828	143 982	144 256
Capital ratio, %	12,26	12,36	13,92	14,06

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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 June 30 th 2011 the above Group's ratio was 46,94 per cent (31-12-2010 -44,61 per cent), and the Bank's – 47,82 per cent (31-12-2010 – 46,00 per cent.).

The tables below disclose the assets and liabilities as of March 31 st 2011 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 June 30 th 2011 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	179 752	66 636	77 957	110 011	290 661	889 404	761 932	182 200	2 558 553
Total liabilities and shareholder's equity	494 367	225 646	331 897	402 674	465 180	173 768	206 889	258 132	2 558 553
Net liquidity gap	(314 615)	(159 010)	(253 940)	(292 663)	(174 519)	715 636	555 043	(75 932)	-

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

The structure of the Group's liabilities by maturity as of December 31 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	200 493	71 911	166 600	220 779	182 505	694 686	613 428	184 212	2 334 614
Total liabilities and shareholder's equity	441 626	222 179	293 816	389 547	403 823	158 886	171 441	253 296	2 334 614
Net liquidity gap	(241 133)	(150 268)	(127 216)	(168 768)	(221 318)	535 800	441 987	(69 084)	-

The structure of the Bank's liabilities by maturity as of June 30 th 2011 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	179 569	80 272	143 920	163 735	343 143	809 750	703 573	131 238	2 555 200
Total liabilities and shareholder's equity	493 852	219 914	331 778	402 479	464 755	173 630	206 889	261 903	2 555 200
Net liquidity gap	(314 283)	(139 642)	(187 858)	(238 744)	(121 612)	636 120	496 684	(130 665)	-

The structure of the Bank's liabilities by maturity as of December 31st 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	200 395	98 072	209 978	277 703	229 332	628 540	556 100	134 534	2 334 654
Total liabilities and shareholder's equity	440 819	219 918	293 685	389 381	403 439	158 594	171 441	257 377	2 334 654
Net liquidity gap	(240 424)	(121 846)	(83 707)	(111 678)	(174 107)	469 946	384 659	(122 843)	-

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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 30-06-2011							
Liabilities							
Due to banks	-	37 660	16 038	87 711	281 192	38 062	460 663
Due to customers	-	661 963	285 457	787 696	70 041	8 098	1 813 255
Debt securities in issue	-	5 391	-	-	-	-	5 391
Special and lending fund	-	6 239	37	1 124	13 837	-	21 237
Total liabilities (contractual maturity dates)	-	711 253	301 532	876 531	365 070	46 160	2 300 546

	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Group 31-12-2010							
Liabilities							
Due to banks	-	32 428	21 950	65 752	239 658	34 799	394 587
Due to customers	-	617 086	273 085	729 833	56 221	4 836	1 681 061
Debt securities in issue	-	-	-	5 392	-	-	5 392
Special and lending fund	-	10 160	167	1 309	16 318	637	28 591
Total liabilities (contractual maturity dates)	-	659 674	295 202	802 286	312 197	40 272	2 109 631

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Bank 30-06-2011							
Liabilities							
Due to banks	-	37 666	16 083	87 711	281 192	38 062	460 714
Due to customers	-	662 297	285 457	787 696	70 041	8 098	1 813 589
Debt securities in issue	-	5 391	-	-	-	-	5 391
Special and lending fund	-	6 239	37	1 124	13 837	-	21 237
Total liabilities (contractual maturity dates)	-	711 593	301 577	876 531	365 070	46 160	2 300 931

	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Bank 31-12-2010							
Liabilities							
Due to banks	-	32 428	21 950	65 752	239 658	34 799	394 587
Due to customers	-	617 153	273 085	729 833	56 221	4 836	1 681 128
Debt securities in issue	-	-	-	5 392	-	-	5 392
Special and lending fund	-	10 160	167	1 309	16 318	637	28 591
Total liabilities (contractual maturity dates)	-	659 741	295 202	802 286	312 197	40 272	2 109 698

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 June 30 th 2011 the TOP to capital ratio was: Group's – 0,49 % (31-12-2010: 0,55 %), Bank's – 0,48 % (31-12-2010: 0,55 %).

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 2010 and forecasts that currency weakening tendencies will remain in 2011.

Currency	Annual reasonable shift 2011	Annual reasonable shift 2010
USD	9%	8%
GBP	6%	6%
DKK	1%	1%
SEK	7%	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:

	30-06-2011		31-12-2010	
	Impact on profit or loss, on equity		Impact on profit or loss, on equity	
	Group	Bank	Group	Bank
USD	17	19	36	41
GBP	67	67	4	4
DKK	3	3	2	2
SEK	8	8	11	11
LVL	1	1	1	1
other currencies	36	36	31	31
Total:	132	134	85	90

The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 72 thousand in 2011 (2010: LTL 90 thousand) and the Group's annual profit and makes LTL 71 thousand in 2011 (2010: LTL 85 thousand) higher/lower impact on profit.

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

The Group's open positions of prevailing currencies as of June 30 th 2011 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	55 025	5 442	60 467	864 176	1 633 910	2 558 553
Liabilities and shareholder's equity	54 158	951	55 109	809 395	1 694 049	2 558 553
Net balance sheet position	867	4 491	5 358	54 781	(60 139)	-
Currency swaps	(1 081)	(2 249)	(3 330)	(20 803)	24 170	37
Net open position	(214)	2 242	2 028	33 978	(35 969)	37

The Group's open positions of prevailing currencies as of December 31st 2010 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	44 367	1 747	46 114	740 304	1 548 196	2 334 614
Liabilities and shareholder's equity	43 131	922	44 053	718 949	1 571 612	2 334 614
Net balance sheet position	1 236	825	2 061	21 355	(23 416)	-
Currency swaps	(783)	-	(783)	783	-	-
Net open position	453	825	1 278	22 138	(23 416)	-

The Bank's open positions of prevailing currencies as of June 30 th 2011 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	55 024	5 442	60 466	872 524	1 622 210	2 555 200
Liabilities and shareholder's equity	54 158	951	55 109	807 403	1 692 688	2 555 200
Net balance sheet position	866	4 491	5 357	65 121	(70 478)	-
Currency swaps	(1 081)	(2 249)	(3 330)	(20 803)	24 170	37
Net open position	(215)	2 242	2 027	44 318	(46 308)	37

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

The Bank's open positions of prevailing currencies as of December 31st 2010 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	44 366	1 747	46 113	754 584	1 533 957	2 334 654
Liabilities and shareholder's equity	43 131	922	44 053	718 628	1 571 973	2 334 654
Net balance sheet position	1 235	825	2 060	35 956	(38 016)	-
Currency swaps	(783)	-	(783)	783	-	-
Net open position	452	825	1 277	36 739	(38 016)	-

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.

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Group 30-06-2011

	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	322 250	478 809	702 454	137 720	497 597	419 723	2 558 553
Liabilities and shareholder's equity	347 749	397 813	479 670	439 852	70 374	823 095	2 558 553
Net interest sensitivity gap at 30 June 2010	(25 499)	80 996	222 784	(302 132)	427 223	(403 372)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(244)	675	1 392	(755)	-	-	1 068

Group 31-12-2010

	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	266 843	487 776	671 754	58 343	398 490	451 408	2 334 614
Liabilities and shareholder's equity	303 182	402 234	461 783	384 335	59 414	723 666	2 334 614
Net interest sensitivity gap at 31 December 2010	(36 339)	85 542	209 971	(325 992)	339 076	(272 258)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(348)	713	1 312	(815)	-	-	862

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Bank 30-06-2011

	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	329 984	499 144	722 231	212 466	484 176	307 199	2 555 200
Liabilities and shareholder's equity	347 749	397 813	479 670	439 852	70 374	819 742	2 555 200
Net interest sensitivity gap at 30 June 2010	(17 765)	101 331	242 561	(227 386)	413 802	(512 543)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(170)	844	1 516	(568)	-	-	1 622

Bank 31-12-2010

	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	287 795	488 439	706 037	119 611	394 568	338 204	2 334 654
Liabilities and shareholder's equity	303 182	402 234	461 783	384 335	59 414	723 706	2 334 654
Net interest sensitivity gap at 31 December 2010	(15 387)	86 205	244 254	(264 724)	335 154	(385 502)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(147)	718	1 527	(662)	-	-	1 436

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.

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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 June 2011 and in the statement of comprehensive income :

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total:
Internal	4 561	(2 208)	(694)	(1 659)	-	-
External	15 873	4 591	451	1 664		22 579
Net interest income	20 434	2 383	(243)	5	-	22 579
Internal	4 643	(2 283)	(694)	(1 666)		-
External	19 745	4 587	498	1 664		26 494
Net interest, fee and commissions income	24 388	2 304	(196)	(2)	-	26 494
Provision expenses	(2 936)	(81)	19	101		(2 897)
Internal	(34)	(83)	(44)	(16)	177	-
External	(14 801)	(1 159)	(315)	(1 198)		(17 473)
Operating expenses	(14 835)	(1 242)	(359)	(1 214)	177	(17 473)
Amortisation charges	(115)	(3)	-	-		(118)
Depreciation charges	(1 561)	(508)	(8)	(48)		(2 125)
Internal	109	56	-	12	(177)	-
External	2 418	134	263	1 099		3 914
Net other income	2 527	190	263	1 111	(177)	3 914
Profit before tax	7 468	660	(281)	(52)	-	7 795
Losses from discontinued operations	-	-	-	-	(284)	(284)
Income tax	(1 080)	(115)	-	-		(1 195)
Profit per segment after tax	6 388	545	(281)	(52)	(284)	6 316
Profit for the year attributable to equity holders of the Bank	6 388	545	(281)	(52)	(284)	6 316
Total segment assets	2 555 200	138 266	44 149	105 397	(284 459)	2 558 553
Total segment liabilities	2 294 829	135 341	39 313	101 313	(267 570)	2 303 226
Net segment assets (shareholders' equity)	260 371	2 925	4 836	4 084	(16 889)	255 327

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total:
Internal	5 101	(3 181)	(929)	(991)		-
External	6 931	5 661	550	597		13 739
Net interest income	12 032	2 480	(379)	(394)	-	13 739
Internal	5 219	(3 298)	(929)	(992)		-
External	10 485	5 632	561	597		17 275
Net interest, fee and commissions income	15 704	2 334	(368)	(395)	-	17 275
Provision expenses	(18 630)	(1 199)	(10)	(310)		(20 149)
Internal	7	(57)	(12)	(16)	78	-
External	(12 437)	(1 001)	(284)	(792)		(14 514)
Operating expenses	(12 430)	(1 058)	(296)	(808)	78	(14 514)
Amortisation charges	(149)	(1)	-	(2)		(152)
Depreciation charges	(1 546)	(472)	(7)	(54)		(2 079)
Internal	78	(1)	3 507	(61)	(3 523)	-
External	3 628	453	(265)	604		4 420
Net other income	3 706	452	3 242	543	(3 523)	4 420
Profit before tax	(13 345)	56	2 561	(1 026)	(3 445)	(15 199)
Losses from discontinued operations	2 228	(5)	-	-	-	2 223
Income tax	(11 117)	51	2 561	(1 026)	(3 445)	(12 976)
Profit per segment after tax	(11 117)	51	2 561	(1 026)	(3 445)	(12 976)
Profit for the year attributable to equity holders of the Bank	2 159 540	108 925	50 188	60 343	(218 770)	2 160 226
Total segment assets	1 888 775	106 699	44 486	53 550	(201 881)	1 891 629
Total segment liabilities	270 765	2 226	5 702	6 793	(16 889)	268 597



**INTERIM CONSOLIDATED FINANCIAL REPORT
OF ŠIAULIŲ BANKAS AB
FOR THE 6 MONTHS 2011**

1. Accounting period covered in the Consolidated Interim Report

The Consolidated Interim Report of Šiaulių bankas AB is prepared for the first half-year of 2011.

2. Contacts of Šiaulių bankas AB

Name – Šiaulių bankas AB

Legal form – Public Limited Company

Date of registration – 4 February, 1992

Manager of register – State Enterprise Centre of Registers

Company's code – 112025254

Head office – Tilžės street 149, LT-76348 Šiauliai

Telephones: + 370 41 522 117, 595 602, 595 653

Fax + 370 41 430 774

E-mail info@sb.lt

Internet website www.sb.lt

3. Contacts of Šiaulių bankas' Group

Šiaulių bankas AB has five subsidiaries: Šiaulių banko lizingas UAB, Šiaulių banko investicijų valdymas UAB, Šiaulių banko turto fondas UAB, Minera UAB and SBTF UAB.

- Name – Šiaulių banko lizingas UAB
Legal form – Private Limited Company
Date of registration – 16 August, 1999
Manager of register – State Enterprise Centre of Registers
Company's code – 145569548
Head office – Vilniaus street 167, LT-76352 Šiauliai
Telephone: + 370 41 420 855, 502 990
Fax + 370 41 423 437
E-mail lizingas@sb.lt
Internet website www.sblizingas.lt

- Name – Šiaulių banko turto fondas UAB
Legal form – Private Limited Company
Date of registration – 13 August, 2002
Manager of register – State Enterprise Centre of Registers
Company's code – 145855439
Head office – Vilniaus street 167, LT-76352 Šiauliai
Telephone + 370 41 525 322
Fax + 370 41 525 321
E-mail turtofondas@sb.lt
Internet website www.sbturtofondas.lt

- Name – Šiaulių banko investicijų valdymas UAB
Legal form – Private Limited Company
Date of registration – 31 August, 2000
Manager of register – State Enterprise Centre of Registers
Company's code – 145649065
Head office – Vilniaus street 167, LT-76352 Šiauliai
Telephone + 370 41 429 227
Fax + 370 41 525 285

E-mail valdymas@sb.lt
Internet website www.sbiv.lt

- Name – SBTf UAB
Legal form – Private Limited Company
Date of registration – 24 November, 2004
Manager of register – State Enterprise Centre of Registers
Company's code – 300069309
Head office – Vilniaus street 167, LT-76352 Šiauliai
Telephone + 370 525 322
Fax + 370 525 321
E-mail z.kilciauskiene@sb.lt

- Name – Minera UAB
Legal form – Private Limited Company
Date of registration – 30 September, 1992
Manager of register – State Enterprise Centre of Registers
Company's code – 121736330
Head office – Vilniaus street 167, LT-76352 Šiauliai
Telephone/Fax + 370 399 423

In 2010 Kėdainių oda UAB controlled by Šiaulių Banko Investicijų Valdymas UAB became significant for the Group, therefore it is considered as indirectly controlled.

4. Nature of Šiaulių bankas' main activity

Šiaulių bankas is a universal bank, providing all the banking services. The Bank has 52 territorial subdivisions operating in 31 towns and cities of Lithuania. The network of Šiaulių bankas covers the main Lithuanian cities and financially active regional centres.

The Bank provides the following financial services in compliance with the Law and legal acts of the Republic of Lithuania and the Charter:

- accepts deposits and other returnable funds into accounts opened by the customers and manages them;
- grants and takes the loans;
- issues monetary warranties, guarantees and other warranty liabilities;
- issues and performs operations with payable documents (cheques, letters of credits, bills of exchange, etc.);
- performs operations with securities (shares, bonds, etc.);
- performs operations in foreign currency;
- takes customers' valuables for safeguarding and rents safes located at the bank's vault to safeguard valuables and documents;
- provides services and consultations regarding banking activities, finance and customers' investment management issues;
- issues and manages monetary instruments of credit;
- performs other operations in compliance with nature of business of credit institutions defined in the legal acts of the Bank of Lithuania.

5. Group of Šiaulių bankas' enterprises

As of 30 June 2011 Šiaulių bankas' AB Group consisted of Šiaulių bankas AB and five subsidiary companies. Share of the Bank in the Group's enterprises is provided in the following table:

Subsidiary	Activity and authorized capital	Share of the capital managed by the Bank, %
Šiaulių banko lizingas UAB, Vilniaus street 167, Šiauliai	▪ Nature of business: financial lease. Enterprise has representative offices in Vilnius, Kaunas and Klaipėda.	100
Šiaulių banko investicijų valdymas UAB, Vilniaus street 167, Šiauliai	▪ Nature of business: privatization of companies, restructuring and funding of reorganization projects, investments into debt and equity securities as well as into small and medium-sized enterprises, rendering of financial management experience;	100
Šiaulių banko turto fondas UAB, Vilniaus street 167, Šiauliai	▪ Nature of business: long-term investments into land, preparation of infrastructure, investments into other real estate, purchase of constructions and buildings, reconstruction, change of their purpose, organization of construction of the own objects, rent of buildings, premises and land, consultations regarding the implementation of the long-term investment projects and monitoring issues;	100
SBTF UAB, Vilniaus street 167, Šiauliai	▪ Nature of business: transactions in real estate property, supportive activities in financial services, management consultancy activities;	100
Minera UAB, Vilniaus street 167, Šiauliai	▪ Nature of business: transactions in real estate property, supportive activities in financial services, management consultancy activities;	100

6. Bank's authorized capital

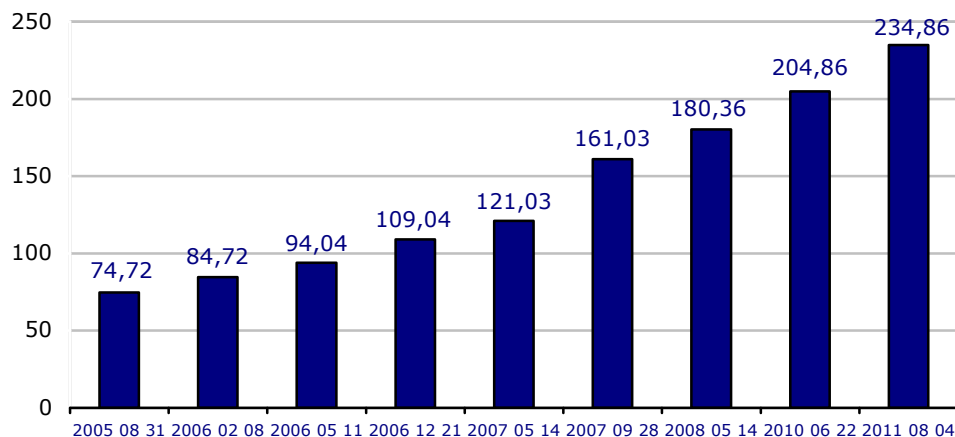
As of 30 June 2011 the authorized capital of Šiaulių bankas AB was LTL 204 857 533. As of the aforementioned date 71.21 per cent of the authorized capital of Šiaulių bankas AB was owned by the enterprises registered in Lithuania and private persons.

On 4 August 2011 an increased authorized capital of the bank was registered: LTL 234 857 533.

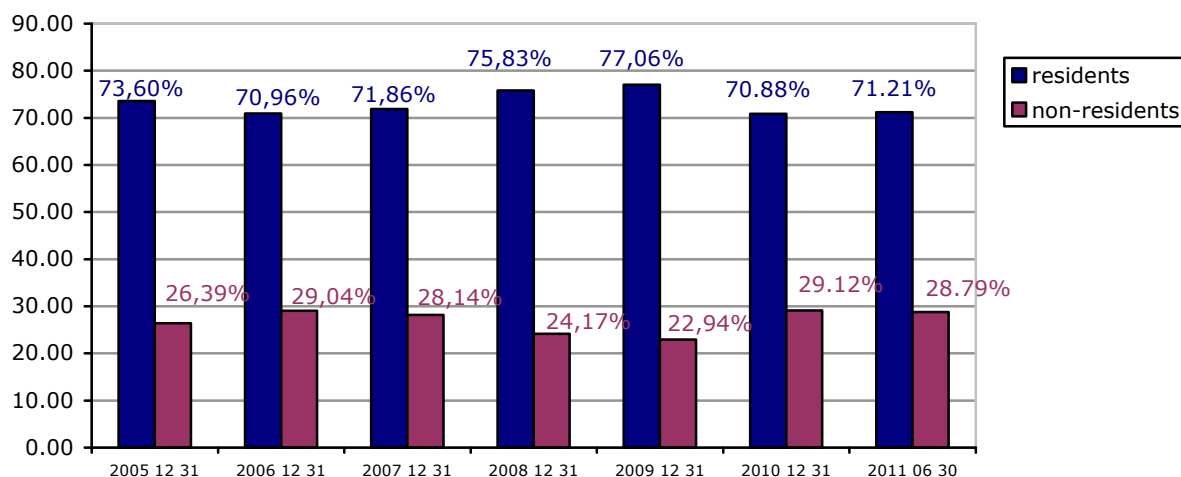
Structure of the Bank's authorized capital:

Type of shares	Number of shares, units	Par value, LTL	Total par value, LTL
Ordinary registered shares, ISIN LT0000102253, 30/06/2011	204 857 533	1	204 857 533
Ordinary registered shares, ISIN LT0000102253, 04/08/2011	234 857 533	1	234 857 533

Growth of the Bank's authorized capital since 2005 (in LTL million):



The shareholders by the place of residence:



The Bank's shareholders are entitled to the following property rights:

- to receive the share of the Bank's profit (dividend);
- to receive the share of assets of the liquidated bank;
- to receive the bank's shares free of charge in case the Bank's authorized capital is increased from the Bank's own funds except the cases defined in the laws;
- when the shareholder is a natural entity – to bequeath the entire shares or a portion of them to one or several individuals;
- to sell or otherwise transfer the entire shares or the portion of them to the ownership of other individuals in compliance with the applicable law;
- to acquire the shares and converted bonds issued by the Bank exercising the pre-emptive right except the cases when the General Meeting of Shareholders makes a resolution to revoke this right from all the shareholders in compliance with the applicable law;
- to credit the Bank in compliance with the applicable law, however, the Bank borrowing from its shareholders has no right to pledge its assets to the shareholders. When the Bank is borrowing from its shareholder the interest cannot exceed the average interest rate applied in the commercial banks located in the lender's residential place or

business place at the moment of the conclusion of agreement. In such case the bank and the shareholders are not allowed to agree about the higher rate of interest;

- other rights in compliance with the applicable law.

The right to dividends, free shares and the pre-emptive right to acquire shares issued by the Bank 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).

The Bank's shareholders are entitled to the following non-property rights:

- to participate in General Shareholders' Meetings;
- to vote in the meetings according to the rights granted by the owned shares;
- to submit the Bank with the questions in advance on the agenda issues of the General Shareholders' Meetings;
- to receive information about the Bank defined in the Law on Public Limited Liability Companies;
- to address the court with the claim requiring to compensate the damage done to the Bank because of the Bank's Chief Executive Officer's or the members of the Bank's Board failure to fulfill the duties or inappropriate fulfillment of duties in accordance with the applicable law or the Bank's Charter as well as in other cases defined in the law;
- to authorize a natural or legal person to represent him in relations with the Bank and other individuals;
- other non-property rights in compliance with the applicable law.

A person acquires all the rights and commitments granted by the portion of the owned Bank's authorized capital and (or) voting rights: in case of capital increase – from the day of registration of the Charter, the amendments of which are related to the increase of the authorized capital and (or) voting rights; in other cases – from the origin of the ownership rights to the bank's authorized capital and (or) voting rights.

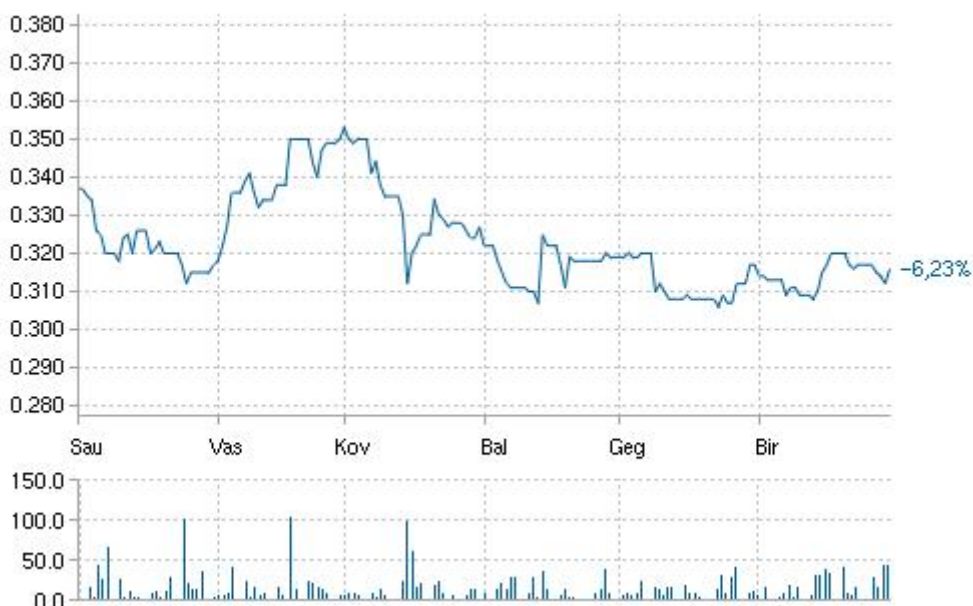
7. Information about trading in shares of the subsidiaries belonging to the Group in regulated markets

Only the shares of Šiaulių bankas AB are quoted on the Main Securities Trading List of Vilnius Stock Exchange (AB NASDAQ OMX Vilnius). ISIN code LT0000102253, number of shares – 204 857 533. The shares of the bank's subsidiaries are issued for non-public trading.

In the course of six month of 2011, in Vilnius Stock Exchange NASDAQ OMX AB, the biggest turnover in bank's shares was registered during the trading session on 15 March 2011, when 328 667 units of shares had been purchased/sold for the amount of EUR 98,7 thou (LTL 340,8 thou). The highest price per share was registered on 1 March 2011 – EUR 0,353 (LTL 1,2188), while the lowest – EUR 0,306 (LTL 1,0566) on 23 May 2011.

Below we provide the graphs indicating the bank's share price and turnover within the first half-year of this year which are placed on the website of NASDAQ OMX Vilnius AB:

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2011&end_d=30&end_m=6&end_y=2011



Share price is provided in Euros, because the trade in shares is implemented in Euros since 22 November 2010.

The graphs below show changes in share price of OMX Vilnius index and Šiaulių bankas AB during the period starting from 01/01/2011 up to 30/06/2011. The information is taken from the website of the NASDAQ OMX Vilnius AB:

http://www.nasdaqomxbaltic.com/market/?pg=charts&lang=lt&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000128266&idx_equity%5B%5D=LT0000102253&period=other&start_d=1&start_m=1&start_y=2011&end_d=30&end_m=6&end_y=2011

Baltic market indexes



Graph data:

Index/Shares	01/01/2011	30/06/2011	+/-%
OMX Vilnius	409,65	396,35	-3,25
SAB1L	EUR 0,34	EUR 0,32	-6,23

Below we provide the capitalization of Šiaulių bankas' shares and total capitalization of listing shares of NASDAQ OMX Vilnius AB on the last trading day of the first half-year of 2011 and on the last trading day of 2010. The information is taken from the website of the NASDAQ OMX Vilnius AB:

http://www.nasdaqomxbaltic.com/market/?pg=capital¤cy=0&market=XVSE&stocktype%5B%5D=main&period=other&start_d=30&start_m=12&start_y=2010&end_d=30&end_m=6&end_y=2011

List of Baltic shares	31/12/2010	30-06-2010	Change
SAB1L	EUR 69 036 988,62	EUR 64 734 980,43	-6.23%
Vilnius market, in total	EUR 4 219 761 406,81	EUR 3 849 242 641,37	-8,78%

8. Information on agreements with intermediates in public circulation of securities

Šiaulių bankas has concluded agreements on the accounting (safe custody) of securities and on acceptance and execution of orders with the following intermediaries in public circulation of securities:

- Finasta Bank AB;
- Danske Bank A/S Lithuanian branch;
- Citadele bank AB;
- DnB NORD bank AB;
- Swedbank, AB;
- SEB bank AB;
- Barclays Capital bank;
- Commerzbank AG bank.

Šiaulių bankas has concluded an agreement with Ūkio bankas AB regarding protection of interests of the owners of bonds issued by the Bank, redeemed on 5 July 2011.

9. Acquisition of own shares

The Bank and its subsidiary companies or persons acting at the instruction of the subsidiary companies do not hold any shares of Šiaulių bankas AB. The Bank has not acquired its own shares and has not transferred them to other entities.

10. Shareholders

As of 30 June 2011 the total number of Šiaulių bankas' shares comprised 3 726. At the end of 2010 - 3 601, on 30/06/2010 - 3 499. The holders of all issued shares are entitled to equal rights in compliance with the Law on Public Limited Liability Companies of the Republic of Lithuania and the Charter of the Bank.

Shareholders, who owned more than 5 per cent of the Bank's authorized capital under right of ownership as of 30 June 2011:

No.	Shareholder	Number of shares under the right of ownership	Share of the authorized capital under the right of ownership, %	Share of votes under the right of ownership, %	Share of votes together with related persons, %
1.	European Bank for Reconstruction and Development (EBRD) address: One Exchange Square, London, Great Britain	45 965 344	22,44	22,44	48,31
2.	Gintaras Kateiva	14 660 214	7,16	7,16	48,31
3.	Algirdas Butkus	10 590 328	5,17	5,17	48,31

The European Bank for Reconstruction and Development, Trade-house Aiva UAB, Mintaka UAB, Company Group Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Audrius Žiugžda, Daiva Kiburienė, Vita Adomaitytė, Arūnas Užupis and Donatas Savickas – comprise the group of shareholders, whose votes are calculated jointly. On 30 June 2011 this group had 48.31 per cent of the Bank's authorized capital and voting rights.

There are no restrictions to securities transfer. The shareholders are entitled to property and non-property rights and have their duties foreseen by the Law on Public Limited Liability Companies of the Republic of Lithuania.

Shareholders, having special control rights and description of these rights. The shareholders control the Bank through the elected Supervisory Council. Its functions are defined by the Law on Public Limited Liability Companies of the Republic of Lithuania.

Restrictions to voting rights. All the bank's shares granting a voting right are of the equal par value and each share gives one vote in the General Shareholders' Meeting.

A shareholder has no right to vote in making decisions regarding the pre-emptive right to acquire the shares issued by the Bank or regarding the recall of the converted bonds, in case the agenda of the General Shareholders' Meeting foresees that such a right to acquire these securities is to be granted to him, his close relative, shareholder's spouse or to cohabitant, when the partnership is registered under the applicable law, and to the spouse's close relative, in case the shareholder is a natural entity, as well as to the shareholder's parent company or shareholder's subsidiary, in case the shareholder is a legal entity.

A person or persons acting together and wishing to acquire shareholding (10%) or increase it up to 20%, 30% or 50% of the Bank's authorized capital and (or) such a share of the voting rights or to increase it to the extent when the share of the possessed authorized capital and (or) of voting rights would become controlled, should receive the consent from the Bank of Lithuania in advance. Persons, who have acquired shares without the aforementioned consent, lose the voting right in the General Shareholders' Meeting.

11. Risk management

The group of Šiaulių bankas AB analyzes, evaluates, assumes, and manages the risks and group of risks which it encounters in its activities. The purpose of risk management in the Group of the Bank is to ensure sufficient return on equity by managing risks in a conservative manner. By implementing an advanced risk management policy, the Group of Šiaulių bankas AB seeks not only minimisation of potential risks, but also improvement of pricing and assurance of effective distribution of capital.

The risk management policy is approved by the Board of the Bank. The procedures for the management of various types of risks prepared on the basis of the policy help to identify risks, principles of their management and ensure the integrity of the risk management process throughout the Group of the Bank. Since various risks encountered by the Group of the Bank are interdependent, their management is centralised. One of the main objectives of the Bank's Risk Management Committee is the establishment and coordination of an appropriate risk management system.

The Group of Šiaulių bankas revises its risk management procedures and systems regularly, not less than once a year, with regard to market changes, new products, and newly emerging best practices.

The most important types of risks encountered by the Group of the Bank include credit, market, liquidity, concentration and operational risks. The market risk encompasses the risk of currency exchange rate, interest rate, and price of securities. Concentrations of other types of risk are considered by the group of the Bank as insignificant, and they are not evaluated.

More detailed information on risk management is provided in the Explanatory Note, *Financial Risk Management* part of financial statements for 2010 and in the notes of Interim Financial Accountability of the I half-year 2011.

12. Internal control and risk assessment (management)

Risk management system of Šiaulių bankas' Group covers management strategy, policy, risk limits system, internal control and internal audit. Risk assessment (management) is defined by the Bank activity management policy.

Activity's internal control of Šiaulių bankas' Group is a continuous process ensuring:

- 1) efficient activity of the bank using assets of the bank and other resources and preventing from possible loss,
- 2) bank's activity compliance with laws, legal acts of the Bank of Lithuania and other acts, strategy of the bank and internal policy,
- 3) reliable, relevant and timely financial and other information used inside the bank for the purposes of supervision or other third persons.

Activity's internal control of the Bank is comprised of:

- 1) organizational structure of the bank facilitating separation of the functions of employees and vertical and horizontal responsibility relationships, forwarding of information from bottom-up and top-down and in the same level;
- 2) information system of management bodies (heads) of the Bank enabling to make timely decisions (responsible structural divisions of the Bank shall inform the committees or the bank, Bank Board, Supervisory Council; having made decisions the Bank Board, Supervisory Council and committees shall inform relevant outlets of the bank);
- 3) reliable IT system covering all the significant areas of the bank's activity and ensuring safe and continuous its operation, in particular activity related with data-collection, processing and use, activity continuation plan and preparation for specific situations;
- 4) risk control and risk assessment covering all the areas of risk (credit, concentration, liquidity, operational, interest rate, and foreign currency rate and securities price risks);
- 5) appropriate responsibility and competence of personnel (appropriate qualification and reputation of employees, also experience and necessary skills to perform their duties);
- 6) internal control procedures and regular supervision of them;
- 7) regular assessment of internal control system: constant (employees perform their duties), periodical (internal and external audit) and correction of identified deficiencies;

Internal Audit Department of the Bank is performing internal audit of internal control system. The department shall inform the Internal Audit Committee of the Bank and the Bank Board on the identified deficiencies.

13. The main aspects of internal control and risk management systems related with the drafting of consolidated financial statements

The financial statements of the Bank and the Group are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for the application in the European Union.

When preparing financial statements in accordance with the IFRS, assumptions and evaluations are applied, 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.

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. 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 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. If a transaction with the uncontrolled part does not influence the loss of control, the transaction result for acquisition of uncontrolled part or transfer of shares is accounted directly in the equity of the Group.

Financial statements of consolidated bank and controlled enterprises are of the same reporting period (except of the cases when it is impossible to do this), drawn up in accordance with the equal accounting principles of management of the same activity areas and accountability drafting principles. Where necessary, accounting principles of subsidiaries are corrected in order to comply with the accounting principles, applied in the Bank.

Transactions between the enterprises of the Group, balances and unrealized gain from transactions between the enterprises of the Group are eliminated. Unrealized losses are also eliminated unless it is possible to prove after the transaction that the value of the transferred assets has decreased.

In separate financial statements, subsidiaries are accounted at the acquisition cost, i.e. income from investments is recognized 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.

14. Ratings assigned by international rating agencies

The International rating agency Moody's Investors Service set the following ratings on 11 April 2011:

- Long-term credit rating – B1;
- Financial strength rating – E+;
- Short-term credit rating – NP;
- Outlook – stable.

15. Information on operating results

During the first half-year of 2011 operating profit of the bank before profit tax and special provisions to bad loans was by almost twice as much compared with the result of the same

period last year and amounted to LTL 10.4 million. Net profit of the bank for the half-year grew to LTL 6.4 million, while during the same period last year the bank incurred a loss of LTL 11.1 million. The Group of the Bank earned LTL 6.3 million of net profit during the mentioned period.

Active crediting activity and increasing interest margin had the greatest impact on the achieved result. Over just the second quarter the loan portfolio of the bank increased by 9 per cent and totaled to nearly LTL 1.9 billion. Since the beginning of the year the loan portfolio of Šiaulių bankas increased by LTL 232 million, while deposits – by LTL 134 million. Net interest income grew by 27.6 per cent within the quarter, while comparing with the half-year of the last year – even by 70 per cent.

Ratios of the Bank's assets quality

	30/06/2011	31/12/2010	31/12/2009
Assets	2 555 200	2 334 654	2 059 270
Loans in net value	1 889 179	1 657 609	1 605 635
Deposits	1 806 702	1 672 394	1 528 840
Shareholders' equity	260 371	256 147	254 037
Special provisions from loan portfolio, %	4,11	4,49	2,45

An increasing number of customers allowed to earn more net service and commission income as well as profit from operations in foreign currency. Comparing with the data of 30 June 2010 they increased by 8 and 19 per cent respectively.

While financial state of the majority of the bank's customers has stabilized and is improving, the bank managing the risk exposure conservatively assesses the loan portfolio. Due to this reason it was additionally formed provisions of LTL 2.9 million to cover doubtful assets.

In the middle of 2011 Šiaulių bankas implemented all the prudential requirements limiting the activity risk set by the Bank of Lithuania. The liquidity ratio of the Bank in the middle of the year also comprised 36.50 per cent (the requirement set by the Bank of Lithuania is 30 per cent). The Bank's capital adequacy ratio also remained at a high level and totaled 12.36 per cent, i.e. exceeded the minimum capital adequacy ratio of 8 per cent set by the Bank of Lithuania.

Profitability ratios:

		30/06/2011	31/12/2010	30/06/2010
Bank	ROAA, %	0,53	-1,10	-1,05
	ROAE, %	4,93	-9,47	-8,47
	Cost/income, %	60,01	63,78	71,50
Financial group *	ROAA, %	0,57	-1,09	-1,04
	ROAE, %	5,19	-9,38	-8,43
	Cost/income, %	60,49	62,77	68,90
Entire group	ROAA, %	0,52	-1,28	-1,22
	ROAE, %	4,81	-11,20	-9,92
	Cost/income, %	62,95	67,85	75,62

*A financial group is comprised of Šiaulių bankas and Šiaulių banko lizingas UAB

Prudential requirements limiting the activity risks:

		30/06/2011	31/12/2010	30/06/2010
Bank	Capital adequacy, % (>8%)	12,36	14,06	14,01
	Liquidity, % (>30%)	36,50	46,00	39,62
	Maximum loan per borrower, % (< 25%)	23,30	21,68	21,90
	General open position in foreign currency, % (< 25%)	0,89	0,55	0,68
Financial group	Capital adequacy, % (>8%)	12,44	14,17	14,11
	Maximum loan per borrower, % (< 25%)	23,11	21,50	21,74
	General open position in foreign currency, % (< 25%)	0,88	0,54	0,68
Entire group	Capital adequacy, %	12,26	13,92	14,11
	General open position in foreign currency, %	0,90	0,55	0,68

As of 30 June of 2011 Šiaulių bankas had 52 client service outlets operating in 31 towns and cities of Lithuania. Network of the Bank covered the main towns and cities of Lithuania and financially active regions.

16. Activity plans, expansion and prognosis

The activity of Šiaulių bankas is directed at promotion of economic activity and financing of SME's. Collaborating with international institutions and financial partners the Bank will be searching for new crediting opportunities as well as seeking to contribute to the solution of problems that arose due to the economy recession and to the improvement of business conditions in Lithuania. Šiaulių bankas and all the Bank's Groups will closely cooperate with clients, consult them, offer relevant and clear financial solutions, will react to a particular situation at particular moment in order to ensure the further successful growth as well as development of services provided and improvement of their quality.

17. The most important events during the accounting period

- In January 2011, Rural Credit Guarantee Fund (RCGF) signed a new agreement with the Bank regarding the EUR 1.34 million (more than LTL 4.6 million) intended for modernization of agricultural holdings.
- On 25 January 2011, the sixth Client Service Centre (CSC) of Šiaulių bankas was opened in supermarket "Liepa", Klaipėda, seaport.
- In March Šiaulių bankas AB have signed a cooperation agreement with the JEREMIE programme participant, venture capital fund LitCapital. The concluded agreement lays down not only provision of training services and consultations regarding the possibility to use financial support provided by the EU and more efficient absorbing of financing instruments, but also the facilitating access to the financial engineering instruments of JEREMIE programme implemented by the European Investment Fund. In cooperation Šiaulių bankas and "LitCapital" also foresee joint conferences, exhibitions and employees training, distribution of information and publications.
- In April Šiaulių bankas was awarded with the Diploma of Honor of Šiauliai Industrialists' Association for the "The Promotion of Šiauliai City". Šiaulių bankas "grew" in Šiauliai but it contributes to the expansion of the whole Lithuanian business by opening outlets in other towns and cities.

- In June the European Investment Fund (EIF) and Šiaulių Bankas signed a guarantee agreement under the JEREMIE initiative, under which loans to small and medium-sized enterprises (SMEs) will be guaranteed. According to this agreement Šiaulių bankas will provide new loans from its resources to SMEs for a total amount of EUR 25 million (more than LTL 86 million), while EIF will guarantee 80% of the loan amount. Šiaulių bankas will start providing these loans with EIF guarantee to business from October this year. It is planned to provide the whole amount over a period of two years.
- On 28 June 2011, the European Investment Fund and Šiaulių bankas signed the first agreement in Lithuania under Progress Microfinance to benefit micro-enterprises. This agreement will allow Šiaulių bankas to provide enhanced access to finance to micro-entrepreneurs and will in particular, improve access to the credit market for women entrepreneurs in Lithuania. Progress is funded by the European Commission and the European Investment Bank and managed by the European Investment Fund. This agreement will allow Šiaulių bankas to expand SME financing and the volume of provided microcredits. This agreement is a continuation of long-term and close cooperation of EIB group and Šiaulių bankas.

During the reporting period new management joined the Bank: from 1 February Audrius Žiugžda took up a position of Chief Executive Officer, who was also elected to the Bank Board and took up a position of Deputy Chairman of the Bank; Arūnas Užupis was elected to the Bank Board and took up a position of Head of Retail Banking Division; 2 new divisions were established in the Bank led by new management; heads of some regions, branches and departments were changed.

On May this year a new share issue with additional contributions was started to be issued and on 4 July the issue was ended. It was issued 30 million of ordinary registered shares of LTL 1 nominal value each. Due to this share issue the authorized capital was increased by LTL 30 million to LTL 234.857.533 and on 4 August 2011 it was registered in the Register of Enterprises.

18. Description of the main investments made within the reporting period

For 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 of clients, the Bank had been renewing office interiors and creation of modern working places. Later on amounts of investments were decreasing, some ineffectively functioning divisions were closed.

Within the first half-year period of 2011 the Bank opened 2 new outlets of the bank in Klaipėda; over 6 months it was invested in real estate over LTL 717 thousand, office equipment was acquired for LTL 852 thousand, transport for LTL 412 thousand and intangible assets for LTL 159 thousand. The bank spent LTL 38 thousand for personnel training and business trips.

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

19. Employees

As of 30 June 2011, the number of employees of Šiaulių bankas amounted to 491, including 73 per cent of those who had higher education, 15 per cent had advanced vocational education, 6 per cent had secondary education, 2 per cent had special secondary education and 4 per cent had professional education. (As of 30 June 2010, the number of employees of Šiaulių bankas amounted to 475 employees, 72 per cent had higher education, 16 per cent had advanced

vocational education, 7 per cent had secondary education, 2 per cent had special secondary education and 3 per cent had professional education). As of 30 June 2011, Šiaulių bankas' Group employed 557 employees in total (on 30 June 2010 - 538 employees).

Employees of the Bank, related by the same objectives, pay all the attention to clients, partnership, simple and fast decisions. Implementing the Human Resources Policy, employees are provided with possibility to upgrade their skills, reach a career and realize their abilities. The bank also creates a modern work environment and seeks for opportunities to combine the employees' expectation and their commitments and thus ensuring the good quality of the performed tasks. The Bank is further creating and developing the long-term collaboration with its employees. Over 24 per cent of employees have been working in the Bank for more than 10 years. The Bank has a name of an attractive employer insuring the social guarantees.

Average monthly salary of the relevant employee group before taxes:

Employee group	30/06/2011		31/12/2010		30/06/2010	
	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL
Management	12	23 228	8	14 910	8	15 300
Officers	419	2 298	441	1 967	438	1 922

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

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

20. Environment

Šiaulių bankas AB is a member for responsible business of international initiative, the United Nations World Agreement. In its activity the bank supports the compliance of World Agreement and its 10 principles, including the environmental ones:

- to support preventive programs, which ensure environmental protection;
- take the initiative to increase the environmental responsibility;
- to encourage the development and expansion of environmentally friendly technologies.

Environmental actions of Šiaulių bankas are related with the reduction of paper use. With the usage of electronic documents' management systems the Bank motivates the employees to reduce printing of unimportant documents, invites the customers to use electronic applications and suggests performing a lot of usual services via the Internet. The Bank motivates society by such actions to pay attention to certain unreasonable printing costs of documents and reminds on saving ways of money and time.

21. The Bank's bodies

Bodies of the Bank are as follows: General Meeting of Shareholders of the Bank, Council of the Bank, Board of the Bank and Chief Executive Officer of the Bank (Head of the Bank). The Board of the Bank and Chief Executive Officer are management bodies of the Bank.

The Supervisory Council is a collegial body supervising the activities of the Bank. It is directed by its Chairman. The General Meeting of Shareholders elects the Supervisory Council, consisting of 7 members, for the term of four years. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

The Board is a collegial Bank management body consisting of 7 members. It manages the Bank, handles its matters and is liable under the laws for execution of the Bank's financial services. Order of the Board's work is set by the Rules of Procedure of the Board. The Board is elected by the Council for a term of 4 years.

The Chief Executive Officer of the Bank arranges everyday activities of the Bank and performs other actions necessary to perform his functions, to implement decisions of the Bank's bodies and to secure the Bank's activities.

Management bodies of the Bank follow the laws and other legal acts of the Republic of Lithuania and the authorizations set by the Charter of the Bank. The Bank's bodies are elected, assigned and dismissed from the capacities in accordance with the provisions of the aforementioned documents.

Members of the collegial bodies

The Bank's Supervisory Council:

- **Arvydas Salda** – Chairman of the Bank's Supervisory Council. A consultant of Šiaulių banko turto fondas UAB, the member of the Supervisory Council of Šiaulių bankas AB since 1991 (the Chairman since 1999).
- **Sigitas Baguckas** – Procurist of Namų statyba UAB. Deputy Chairman of Council of Šiaulių bankas AB since 2000, member of Council since 1991;
- **Gintaras Kateiva** – Director General of Litagra 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 trade house Aiva UAB (secondary capacity), member of the Supervisory Council of Šiaulių bankas AB since 2004.
- **Vytautas Junevičius** – Member of the Board, Adviser of Director General of Group of Companies Alita AB; a member of the Supervisory Council of Šiaulių bankas AB since 2006;
- **Peter Reiniger** – the European Bank for Reconstruction and Development (EBRD), managing director, member of Supervisory Council since 2011.

Bank Board:

- **Algirdas Butkus** – Chairman of the Board, Deputy Chief Executive Officer;
- **Audrius Žiugžda** – Deputy Chairman of the Board, Chief Executive Officer;
- **Donatas Savickas** – Deputy Chairman of the Board, Deputy Chief Executive Officer, Head of Finance and Risk Management Division.;
- **Vita Adomaitytė** – Member of the Board, Chief Accountant, Head of Accounting and Reporting Division;
- **Daiva Kiburienė** – Member of the Board, Deputy Chief Executive Officer, Head of Šiauliai region;
- **Arūnas Užupis** – Member of the Board, Head of Retail Banking Division;

INTERIM CONSOLIDATED REPORT OF ŠIAULIŲ BANKAS AB FOR THE 6 MONTHS 2011

Name, surname	Beginning/end of tenure	Share of capital under the right of ownership, %	Share of votes together with the related entities, %
Arvydas Salda	Beginning 27/03/2008 End 2012	2,97	48,31
Sigitas Baguckas	Beginning 27/03/2008 End 2012	0,75	48,31
Kastytis Jonas Vyšniauskas	Beginning 27/03/2008 End 2012	1,12	48,31
Vigintas Butkus	Beginning 27/03/2008 End 2012	0,44	48,31
Vytautas Junevičius	Beginning 27/03/2008 End 2012	0,15	48,31
Peter Reiniger	Beginning 29/03/2011 End 2012	-	-
Gintaras Kateiva	Beginning 27/03/2008 End 2012	7,16	48,31
Algirdas Butkus	Beginning 27/03/2008 End 2012	5,17	48,31
Audrius Žiugžda	Beginning 22/02/2011 End 2012	0,07	48,31
Donatas Savickas	Beginning 27/03/2008 End 2012	0,01	48,31
Vita Adomaitytė	Beginning 03/05/2011 End 2012	0,02	48,31
Daiva Kiburienė	Beginning 27/03/2008 End 2012	0,01	48,31
Arūnas Užupis	Beginning 10/03/2011 End 2012	<0,01	48,31

Information on participation of the members of the Collegial bodies and Chief Financial Officer in the activity and capital of other companies:

Name, surname	Participation in the activity of other companies (name of the company, position)	Participation in the capital of other companies (percentage in the capital over 5%)
Arvydas Salda	<ul style="list-style-type: none"> ▪ Member of the Board of Klaipėdos LEZ valdymo bendrovė UAB ▪ A consultant of Šiaulių banko turto fondas UAB ▪ Member of the Board of Pavasaris UAB 	<ul style="list-style-type: none"> ▪ SLEZVB UAB – 11,05% ▪ STIV UAB – 14,61%
Sigitas Baguckas	<ul style="list-style-type: none"> ▪ Procurist of Namų statyba UAB 	<ul style="list-style-type: none"> ▪ Namų statyba UAB – 47,12%
Kastytis Jonas Vyšniauskas	<ul style="list-style-type: none"> ▪ Chairman of the Board of Sulinkiai UAB 	<ul style="list-style-type: none"> ▪ Sulinkiai UAB – 13,82%
Vigintas Butkus	<ul style="list-style-type: none"> ▪ Director of trade house Aiva UAB ▪ Director of Mintaka UAB 	<ul style="list-style-type: none"> ▪ Šiaulių komercija AB – 7,26% ▪ Aiva UAB – 9,25% ▪ Mintaka UAB – 9,80%
Vytautas Junevičius	<ul style="list-style-type: none"> ▪ Chairman of the Board, General Director of Group of Companies Alita AB ▪ Chairman of the Board of Anykščių vynas AB 	<ul style="list-style-type: none"> ▪ Group of Companies Alita AB – 86,40% ▪ Aunuva UAB – 50,00%
Gintaras Kateiva	<ul style="list-style-type: none"> ▪ Director General, Chairman of the Board of 	<ul style="list-style-type: none"> ▪ Litagra UAB – 49,11%

	Litagra UAB ▪ Adviser Director of Litagros mažmena UAB	
Peter Reiniger	▪ Managing Director of the European Bank for Reconstruction and Development	-
Algirdas Butkus	-	<ul style="list-style-type: none"> ▪ Trade house Aiva UAB – 66,35% ▪ Šiaulių komercija AB – 15,63% ▪ Visnorus UAB – 24,94% ▪ Mintaka UAB – 68,08%
Audrius Žiugžda	Member of the Council of Vytautas Magnus University; Member of the Board of Limarko Shipping Company AB; Member of Advisors' Committee of LitCapital UAB; Member of the Council of Public Institution Invest in Lithuania.	-
Donatas Savickas	-	-
Vita Adomaitytė	-	-
Daiva Kiburienė	-	-
Arūnas Užupis	-	UZU UAB – 30 %

Amounts of funds in total and average amounts per members of the collegial body, provided guarantees calculated during the first half-year of 2011:

Members of management bodies	Number of people	total amounts, LTL	Average amounts, LTL	Transferred assets, LTL	Provided guarantees, LTL
Members of the Bank's Council	7	0	0	0	0
Members of the Bank's Board	6	904 372	150 729	0	0
CEO and CFO	2	325 336	162 668	0	0

There were no guarantees or warranties issued during the first half-year of 2010 regarding the fulfillment of liabilities of management bodies' members.

22 Members of committees set up in the bank and their areas of activities

Loan Committee, Internal Audit Committee and Risk Management Committee constantly operate in the bank. Legal acts of the Republic of Lithuania and the Bank of Lithuania and regulations of a committee concerned, approved by the Bank Board or Supervisory Board, determine the order of functions, establishing and activity of these committees.

Internal Audit Committee periodically observes and discusses the draw up process of financial statements, efficiency of risk management and internal audit system, execution process of audit and internal audit as well as performs other functions set in legal acts of supervisory institution and Regulations of Internal Audit Committee. Regulations of Internal Audit Committee approved by the Supervisory Council of the bank determine the composition, competence and activity organization of Internal Audit Committee. Internal Audit Committee is directly responsible to Supervisory Council of the Bank and reports to it at least once a year.

The main tasks of Risk Management Committee: ensuring of efficiency of the bank's risk management system as well as control and maintenance of risk level acceptable to the Bank.

The loan committee analyses loan applications documents, solves loan granting and term amendment matters, evaluates loan risk, gives suggestions regarding loan granting, loan interest rate and loan administration procedure improvement, as well as performs other functions, set in its regulations.

The remuneration of the senior officers in the risk management and compliance functions is directly overseen by the remuneration committee. The remuneration committee also prepares draft projects regarding the variable remuneration, which are approved by the Supervisory Council of the Bank considering the long-term targets of the shareholders and investors of the Bank.

Data on the members of committees are provided in the table below

Name, surname	Beginning/end of tenure	Share of capital under the right of ownership, %	Workplace
Internal Audit Committee			
Sigitas Baguckas	03/05/2005 / 2012	0,75	Namų statyba UAB
Kastytis Jonas Vyšniauskas	03/05/2005 / 2012	0,12	Sulinkiai UAB
Vytautas Junevičius	27/03/2008 / 2012	0,15	Group of Companies Alita AB
Galina Ivanova	29/03/2010 / 2012	0,00	Revizorius UAB
Risk Management Committee			
Donatas Savickas	30/08/2007 / operates regularly	0,01	Šiaulių bankas AB
Jolanta Dūdaitė	30/08/2007 / operates regularly	0,00	Šiaulių bankas AB
Vita Adomaitytė	30/08/2007 / operates regularly	0,02	Šiaulių bankas AB
Pranas Gedgaudas	30/08/2007 / operates regularly	<0,01	Šiaulių bankas AB
Morena Liachauskienė	30/08/2007 / operates regularly	0,00	Šiaulių bankas AB
Giedrius Sarapinas	30/08/2007 / operates regularly	0,01	Šiaulių bankas AB
Loan Committee			
Algirdas Butkus	23/05/2011 / operates regularly	5,17	Šiaulių bankas AB
Audrius Žiugžda	23/05/2011 / operates regularly	0,07	Šiaulių bankas AB
Danutė Gaubienė	23/05/2011 / operates regularly	0,00	Šiaulių bankas AB
Daiva Kiburienė	23/05/2011 / operates regularly	0,01	Šiaulių bankas AB
Aurelija Pociūtė	23/05/2011 / operates regularly	0,00	Šiaulių bankas AB
Arvydas Salda	23/05/2011 / operates regularly	2,97	Šiaulių banko turto fondas UAB
Giedrius Sarapinas	23/05/2011 / operates regularly	0,01	Šiaulių bankas AB
Donatas Savickas	23/05/2011 / operates regularly	0,02	Šiaulių bankas AB
Vytautas Sinius	23/05/2011 / operates regularly	0,00	Šiaulių bankas AB
Remuneration Committee			
Arvydas Salda	09/05/2011 / operates regularly	2,97	Šiaulių banko turto fondas UAB

Jonas Bartkus	09/05/2011 / operates regularly	<0,01	Šiaulių bankas AB
Ernesta Laurinavičienė	09/05/2011 / operates regularly	0,00	Šiaulių bankas AB
Živilė Skibarkienė	09/05/2011 / operates regularly	0,00	Šiaulių bankas AB

23. Transactions concluded with related parties

During the first half-year period of 2011, there were transactions concluded with related parties. The related parties of the Bank include members of the Supervisory Council and the Bank Board, 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 notes to the Interim financial statements for the first half-year of 2011 of Šiaulių bankas AB.

24. Data on the publicly disclosed information

Publicly disclosed information during the first half a year of 2011:

- 20/01/2011 reported on the newly appointed Chief Executive Officer;
- 23/02/2011 information on the changes in the Bank Board was provided;
- 23/02/2011 unaudited operating result of Šiaulių bankas AB and the Bank's Group for 2010 was announced;
- 28/02/2011 interim financial information of Šiaulių bankas AB for 12 months of 2010 was provided;
- 07/03/2011 the Convocation of the Ordinary General Shareholders' Meeting;
- 08/03/2011 draft resolutions for the General Shareholders' Meeting to be held on 29/03/2011 prepared by the Bank Board;
- 17/03/2011 a candidate to the Supervisory Council of the Bank was introduced;
- 29/03/2011 resolutions of the General Meeting of Shareholders were provided;
- 30/03/2011 audited annual information for 2010;
- 07/04/2011 Prospectus of the Share Issue of LTL 30 million;
- 11/04/2011 new ratings assigned to the bank were announced;
- 14/04/2011 unaudited operating result of Šiaulių bankas AB and the Bank's Group for the first quarter of 2011;
- 27/04/2011 report on offering of share issue and a proposal to acquire shares by exercising the right of pre-emption;
- 04/05/2011 report on elected member of the Board;
- 13/05/2011 schedule to the share issue of LTL 30 million;
- 16/05/2011 information on the planned operating profit for 2011;
- 25/05/2011 bank's presentation to the investors;
- 31/05/2011 interim information for three months of 2011;
- 01/06/2011 the results of the first stage of the new share issue offering and information on the second stage of offering;
- 20/06/2010 the information on the third stage of the share issue offering;
- 28/06/2011 information about the accepted applications to acquire new shares of the issue on the third stage of share offering.
 - Reports regarding the transactions with the Bank's shares made by the Bank's senior management.

Šiaulių bankas AB has informed the Securities Commission of the Republic of Lithuania and Vilnius Stock Exchange (NASDAQ OMX Vilnius AB) about all the stock events in accordance with the procedures set by the Charter and the legal acts of the Republic of Lithuania, the reports were announced in the central regulated data base www.crib.lt and on Šiaulių bankas' website www.sb.lt. The notifications regarding shareholders' meetings were additionally published in the daily newspapers "Lietuvos rytas" and "Šiaulių kraštas".

25. Procedures of Charter amendments

The Bank's Charter can be amended only by the resolution of the General Shareholders' Meeting at $\frac{2}{3}$ majority of votes, except exclusive cases defined by the law.

26. Information regarding compliance with the Corporate Governance Code

The Bank operates in compliance with the many standards set in the Corporate Governance Code. Information about how the bank complies with the particular articles of the Corporate Governance Code did not change over the first half-year of 2011. The entire information is provided together with the consolidated financial report of the first half-year of 2010. The entire information is also available on the website of Šiaulių bankas www.sb.lt.

Chief Executive Officer



Audrius Žiugžda