

RESPONSIBLE PERSONS' CONFIRMATION

We, Chairman of the Board Algirdas Butkus and Chief Financial Officer Vita Adomaitytė, confirm that interim financial statement for the half-year of 2008 is formed in compliance with applicable accounting standards, corresponds to the facts and properly indicates the assets of Šiaulių bankas AB and total assets of the consolidated enterprises as well as liabilities, financial status and profit.

Chairman of the board



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

11 August 2008



FINANCIAL STATEMENTS
30 JUNE 2008

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FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S BALANCE SHEET

| | Notes | 30 June 2008 | | 31 December 2007 | |
|---|-------|------------------|------------------|------------------|------------------|
| | | Group | Bank | Group | Bank |
| Assets | | | | | |
| Cash and cash equivalents | 2 | 239 104 | 239 057 | 230 540 | 230 528 |
| Due from other banks | 3 | 1 057 | 1 057 | 593 | 593 |
| Trading securities | 6 | 41 363 | 8 145 | 41 134 | 9 539 |
| Loans to customers | 4 | 1 467 537 | 1 624 964 | 1 385 835 | 1 540 637 |
| Finance lease receivables | 5 | 122 156 | - | 121 605 | - |
| Investment securities: | | | | | |
| - available-for-sale | 6 | 30 415 | 30 415 | 13 726 | 13 726 |
| - held-to-maturity | 6 | 155 219 | 155 219 | 164 163 | 164 163 |
| Investments in subsidiaries | 6 | - | 2 135 | - | 2 135 |
| Intangible assets | | 973 | 958 | 1 251 | 1 227 |
| Tangible fixed assets | | 53 359 | 46 058 | 51 279 | 45 204 |
| Prepaid income tax | | 2 157 | - | 2 043 | - |
| Other assets | 7 | 33 164 | 8 367 | 40 208 | 5 394 |
| Total assets | | 2 146 504 | 2 116 375 | 2 052 377 | 2 013 146 |
| Liabilities | | | | | |
| Due to other banks and financial institutions | 8 | 416 745 | 407 760 | 463 595 | 454 671 |
| Due to customers | 9 | 1 357 695 | 1 357 710 | 1 217 008 | 1 216 942 |
| Special and lending funds | 10 | 32 905 | 32 776 | 36 550 | 36 092 |
| Debt securities in issue | 11 | 30 448 | 30 448 | 28 550 | 28 550 |
| Derivative financial instruments | | - | - | 119 | 119 |
| Current income tax liabilities | | 1 357 | 1 023 | 1 156 | 930 |
| Deferred income tax liabilities | | 210 | 210 | 225 | 225 |
| Other liabilities | 12 | 13 635 | 5 244 | 15 968 | 6 000 |
| Total liabilities | | 1 852 995 | 1 835 171 | 1 763 171 | 1 743 529 |
| Equity | | | | | |
| Capital and reserves attributable to equity holders of the parent | | | | | |
| Share capital | 13 | 180 358 | 180 358 | 161 033 | 161 033 |
| Share premium | | 45 681 | 45 681 | 65 006 | 65 006 |
| Reserve capital | | 2 611 | 2 611 | 2 611 | 2 611 |
| Statutory reserve | | 3 683 | 3 405 | 1 743 | 1 445 |
| Financial assets revaluation reserve | | 149 | 149 | 360 | 360 |
| Retained earnings | | 55 543 | 49 000 | 49 824 | 39 162 |
| Minority interest | 14 | 288 025 | 281 204 | 280 577 | 269 617 |
| | | 5 484 | - | 8 629 | - |
| Total equity | | 293 509 | 281 204 | 289 206 | 269 617 |
| Total liabilities and equity | | 2 146 504 | 2 116 375 | 2 052 377 | 2 013 146 |

The notes on pages 9 – 28 constitute an integral part of these financial statements

Chairman of the Board

Algirdas Butkus

Chief Financial Officer

Vita Adomaitytė

11 August 2008

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

THE GROUP'S AND BANK'S INCOME STATEMENT

| | Notes | 30 June 2008 | | 30 June 2007 | |
|--|-------|---------------|---------------|---------------|---------------|
| | | Group | Bank | Group | Bank |
| Interest and similar income | 15 | 68 014 | 64 916 | 42 250 | 39 230 |
| Interest expense and similar charges | 15 | (43 241) | (42 982) | (23 266) | (23 297) |
| Net interest income | | 24 773 | 21 934 | 18 984 | 15 933 |
| Fee and commission income | 16 | 6 846 | 7 003 | 6 779 | 6 979 |
| Fee and commission expense | 16 | (2 532) | (2 480) | (2 641) | (2 594) |
| Net fee and commission income | | 4 314 | 4 523 | 4 138 | 4 385 |
| Impairment charge for credit losses | | (3 012) | (2 599) | (916) | (433) |
| Gain on disposal of subsidiary | | - | - | 8 525 | 8 421 |
| Net gain on operations with securities | | 7 864 | (89) | 2 506 | 144 |
| Net foreign exchange gain | | 1 238 | 1 241 | 1 609 | 1 606 |
| Gain on disposal of assets | | 81 | 2 | 2 453 | 21 |
| Other income | | 524 | 248 | 2 030 | 229 |
| Administrative and other operating expenses | 17 | (21 305) | (18 438) | (18 364) | (15 799) |
| Operating profit | | 14 477 | 6 822 | 20 965 | 14 507 |
| Dividends from investments in subsidiaries | | - | 8 797 | - | 7 114 |
| Profit before income tax | | 14 477 | 15 619 | 20 965 | 21 621 |
| Income tax expense | | (639) | (600) | (2 120) | (1 080) |
| Profit for the year | | 13 838 | 15 019 | 18 845 | 20 541 |
| Profit is attributable to: | | | | | |
| Equity holders of the Bank | | 10 880 | 15 019 | 16 722 | 20 541 |
| Minority interest | 14 | 2 958 | - | 2 123 | - |
| Profit for the year | | 13 838 | 15 019 | 18 845 | 20 541 |
| Basic and diluted earnings per share, net (in LTL per share) | 13 | 0,06 | 0,08 | 0,14 | 0,17 |

The notes on pages 9 – 28 constitute an integral part of these financial statements

Chairman of the Board

Algirdas Butkus

Chief Financial Officer

Vita Adomaitytė

11 August 2008

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

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

| | From 4 to 6 month 2008 | | From 4 to 6 month 2007 | |
|---|-----------------------------------|---------------|-----------------------------------|---------------|
| | Group | Bank | Group | Bank |
| Interest and similar income | 35 203 | 33 668 | 22 615 | 21 096 |
| Interest expense and similar charges | (22 469) | (22 328) | (12 705) | (12 651) |
| Net interest income | 12 734 | 11 340 | 9 910 | 8 445 |
| Fee and commission income | 3 603 | 3 677 | 3 301 | 3 404 |
| Fee and commission expense | (1 314) | (1 288) | (1 407) | (1 384) |
| Net fee and commission income | 2 289 | 2 389 | 1 894 | 2 020 |
| Impairment charge for credit losses | (1 588) | (1 354) | (6 85) | (327) |
| Gain on disposal of subsidiary | - | - | 8 525 | 8 421 |
| Net gain on operations with securities | 1 478 | 408 | (510) | 257 |
| Net foreign exchange gain | 713 | 713 | 893 | 889 |
| Gain on disposal of assets | 58 | - | 2 416 | (16) |
| Other income | 226 | 121 | 304 | 116 |
| Administrative and other operating expenses | (10 414) | (9 110) | (8 788) | (7 950) |
| Operating profit | 5 496 | 4 507 | 14 979 | 11 855 |
| Dividends from investments in subsidiaries | - | - | - | - |
| Profit before income tax | 5 496 | 4 507 | 14 979 | 11 855 |
| Income tax expense | (694) | (600) | (1 034) | (480) |
| Profit for the year | 4 802 | 3 907 | 13 945 | 11 375 |
| Profit is attributable to: | | | | |
| Equity holders of the Bank | 4 490 | 3 907 | 12 994 | 11 375 |
| Minority interest | 312 | - | 951 | - |
| Profit for the year | 4 802 | 3 907 | 13 945 | 11 375 |

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

| Notes | 30 June 2008 | | 30 June 2007 | |
|---|-----------------|-----------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Operating activities | | | | |
| Interest received | 67 746 | 64 648 | 40 759 | 37 739 |
| Interest paid | (43 492) | (42 233) | (21 822) | (21 836) |
| Cash received from previously written-off loans | 95 | 43 | 388 | 354 |
| Net cash received from operations in foreign currency | 1 181 | 1 181 | 1 484 | 1 492 |
| Net cash received from operations in securities | 576 | 548 | 8 897 | 8 222 |
| Net cash received from service and commission fees | 4 314 | 4 523 | 4 138 | 4 385 |
| Salaries and related payments to and on behalf of employees | (13 231) | (11 476) | (10 738) | (9 290) |
| Other receipts | 605 | 507 | 4 587 | 235 |
| Other payments | (10 394) | (6 275) | (12 331) | (7 194) |
| Net cash flow from operating activities before change in short-term assets and liabilities | 8 400 | 11 466 | 15 362 | 14 103 |
| (Increase) decrease in assets: | | | | |
| (Increase) in loans to credit and financial institutions | (6 080) | (10 833) | (9 040) | (28 985) |
| (Increase) in loans to customers | (76 648) | (76 305) | (260 320) | (256 425) |
| Decrease in trading securities | (983) | 640 | (13 259) | (6) |
| (Increase) decrease in other assets | 4 527 | (2 956) | (10 113) | (1 305) |
| Change in assets | (79 184) | (89 454) | (292 732) | (286 721) |
| Increase in liabilities | | | | |
| Increase in liabilities to credit and financial institutions | (46 340) | (46 401) | 155 752 | 151 662 |
| Increase in deposits, special and leanding funds | 135 783 | 136 193 | 143 785 | 144 019 |
| Increase in other liabilities | (1 623) | (60) | 3030 | 4 546 |
| Change in liabilities | 87 820 | 89 732 | 302 567 | 300 227 |
| Net cash flow from/(used in) operating activities before tax | 17 036 | 11 744 | 25 197 | 27 609 |
| Income tax paid | (552) | (507) | (1 024) | (600) |
| Net cash flow from operating activities | 16 484 | 11 237 | 24 173 | 27 009 |
| Investing activities | | | | |
| Purchase of tangible and intangible fixed assets | (3 752) | (2 476) | (6 006) | (4 235) |
| Disposal of tangible and intangible fixed assets | 222 | 141 | 11 391 | 826 |
| Acquisition of available-for-sale securities | (19 651) | (19 651) | - | 4 518 |
| Disposal of available-for-sale securities | 2 738 | 2 738 | (5 967) | (5 967) |
| Acquisition of held to maturity securities | (3 986) | (3 986) | (12 006) | (12 006) |
| Proceeds from redemption of held to maturity securities | 12 929 | 12 929 | 14 092 | 14 092 |
| Dividends received | 8 041 | 8 913 | 2 351 | 7 356 |
| Net cash used in investing activities | (3 459) | (1 392) | 3 855 | 4 584 |
| Financing activities | | | | |
| Increase in share capital | - | - | - | - |
| Dividends paid | (3 214) | (3 214) | (2 175) | (2 175) |
| Payment to minority shareholders | (3 145) | - | (14 229) | - |
| Debt securities issued | 41 193 | 41 193 | 6 106 | 6 106 |
| Debt securities repurchased and redeemed | (39 295) | (39 295) | (2 737) | (20 520) |
| Net cash flow from financing activities | (4 461) | (1 316) | (13 035) | (16 589) |
| Net increase in cash and cash equivalents | 8 564 | 8 529 | 14 993 | 15 004 |
| Cash and cash equivalents at 1 January | 230 540 | 230 528 | 121 558 | 121 546 |
| Cash and cash equivalents at 31 March | 239 104 | 239 057 | 136 551 | 136 550 |

The notes on pages 9 – 28 constitute an integral part of these financial statements

Chairman of the Board

Algirdas Butkus

Chief Financial Officer

Vita Adomaitytė

11 August 2008

FINANCIAL STATEMENTS 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 | | | | | | | Total equity |
|--|--|---------------|-----------------|-------------------------------------|-------------------|---------|-------------------|--------------|
| | Share capital | Share premium | Reserve capital | Statutory reserve and other reserve | Retained earnings | Total: | Minority interest | |
| 31 December 2006 | 109 039 | 25 000 | 2 611 | 927 | 28 419 | 165 996 | 21 373 | 187 369 |
| Dividends | - | - | - | - | (2 181) | (2 181) | - | (2 181) |
| Dividends to minority | - | - | - | - | - | - | (14 229) | (14 229) |
| Formation of statutory reserve | - | - | - | 816 | (816) | - | - | - |
| Bonus issue of share capital | 11 994 | (11 994) | - | - | - | - | - | - |
| Issue of share capital | 40 000 | 52 000 | - | - | - | 92 000 | - | 92 000 |
| Financial assets revaluation reserve | - | - | - | 436 | - | 436 | - | 436 |
| Recognition of deferred income tax | - | - | - | (76) | - | (76) | - | (76) |
| Decrease in share capital of minority shareholders in subsidiaries | - | - | - | - | - | - | (574) | (574) |
| Profit for the year | - | - | - | - | 24 402 | 24 402 | 2 059 | 26 461 |
| 31 December 2007 | 161 033 | 65 006 | 2 611 | 2 103 | 49 824 | 280 577 | 8 629 | 289 206 |
| Dividends | - | - | - | - | (3 221) | (3 221) | - | (3 221) |
| Dividends to minority | - | - | - | - | - | - | (6 103) | (6 103) |
| Financial assets revaluation reserve | - | - | - | (227) | - | (227) | - | (227) |
| Recognition of deferred income tax | - | - | - | 16 | - | 16 | - | 16 |
| Formation of statutory reserve | - | - | - | 1 940 | (1 940) | - | - | - |
| Bonus issue of share capital | 19 325 | (19 325) | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | 10 880 | 10 880 | 2 958 | 13 838 |
| 30 June 2008 | 180 358 | 45 681 | 2 611 | 3 832 | 55 543 | 288 025 | 5 484 | 293 509 |

Chairman of the Board

Algirdas Butkus

Chief Financial Officer

Vita Adomaitytė

11 August 2008

FINANCIAL STATEMENTS 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 | Retained earnings | Total |
|--------------------------------------|---------------|---------------|-----------------|--------------------------------------|-------------------|-------------------|---------------|
| 31 December 2006 | 109 039 | 25 000 | 2 611 | - | 700 | 14 840 | 152 190 |
| Dividends | - | - | - | - | - | (2 181) | (2 181) |
| Financial assets revaluation reserve | - | - | - | 436 | - | - | 436 |
| Recognition of deferred income tax | - | - | - | (76) | - | - | (76) |
| Formation of statutory reserve | - | - | - | - | 745 | (745) | - |
| Bonus issue of share capital | 11 994 | (11 994) | - | - | - | - | - |
| Issue of share capital | 40 000 | 52 000 | - | - | - | - | 92 000 |
| Profit for the year | - | - | - | - | - | 27 248 | 27 248 |
| 31 December 2007 | 161 033 | 65 006 | 2 611 | 360 | 1 445 | 39 162 | 269 617 |
| Dividends | - | - | - | - | - | (3 221) | (3 221) |
| Formation of statutory reserve | - | - | - | - | 1 960 | (1 960) | - |
| Financial assets revaluation reserve | - | - | - | (227) | - | - | (227) |
| Recognition of deferred income tax | - | - | - | 16 | - | - | 16 |
| Bonus issue of share capital | 19 325 | (19 325) | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | 15 019 | 15 019 |
| 30 June 2008 | 180 358 | 45 681 | 2 611 | 149 | 3 405 | 49 000 | 281 204 |

Chairman of the Board

Algirdas Butkus

Chief Financial Officer

Vita Adomaitytė

11 August 2008

(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 at 30 June 2008 the Bank had 503 employees (31 December 2007: 483). As at 30 June 2008 the Group had 559 employees (31 December 2007: 535 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),

Basis of preparation

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

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

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

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

Financial risk management

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

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

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

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

(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 46 client service centres.

As of 30st June 2008 the number of the bank's clients included 236 municipal companies and government companies, 26 state companies, 45 agricultural company, 31 economic partnership, 3,759 limited liability public companies, 1,638 private companies, 458 non-profit making and public sector companies and 914 other organizations as well as 113 058 natural entities. As of 31st December 2007 and 30st June 2008 the bank controlled 4 subsidiaries: "Šiaulių banko lizingas" UAB (financial and operational leasing), "Šiaulių banko investicijų valdymas" UAB (investment management), "Šiaulių banko turto fondas" UAB (real estate management), "Pajūrio alka" UAB (hotel service). The bank owns 100% of "Šiaulių banko lizingas" UAB (nominal share value – LTL 1,000 thou), 60.4% of "Šiaulių banko investicijų valdymas" UAB (nominal share value – LTL 604 thou), 53.1% of "Šiaulių banko turto fondas" UAB (nominal share value – LTL 531 thou)..

The consolidated statements of the Group include financial statements of the bank and its subsidiaries. "Pajūrio alka" UAB is sold in May 2007.

NOTE 2 CASH AND CASH EQUIVALENTS

| | Group 30 June 2008 | Bank 30 June 2008 | Group 31 December 2007 | Bank 31 December 2007 |
|---|-----------------------------------|----------------------------------|---|--|
| Cash and other valuables | 50 339 | 50 337 | 43 325 | 43 323 |
| Mandatory reserves in national currency | 82 270 | 82 270 | 74 488 | 74 488 |
| Correspondent bank accounts | 19 866 | 19 866 | 26 727 | 26 727 |
| Banks time deposits | 73 264 | 73 219 | 12 574 | 12 564 |
| Correspondent account with central bank | 13 365 | 13 365 | 73 426 | 73 426 |
| Total: | 239 104 | 239 057 | 230 540 | 230 528 |

Mandatory reserves comprise the funds calculated on a monthly basis as a 6% 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

| | Group 30 June 2008 | Bank 30 June 2008 | Group 31 December 2007 | Bank 31 December 2007 |
|----------------------|-----------------------------------|----------------------------------|---|--|
| Due from other banks | 1 057 | 1 057 | 593 | 593 |
| Total: | 1 057 | 1 057 | 593 | 593 |

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

NOTE 4 LOANS TO CUSTOMERS

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

| Credit risk exposures relating to on-balance sheet assets are as follows: | 30 June 2008 | | 31 December 2007 | |
|---|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Cash and balances with central banks | 188 765 | 188 720 | 187 215 | 187 205 |
| Loans and advances to banks | 1 057 | 1 057 | 593 | 593 |
| Loans and advances to customers: | 1 589 693 | 1 624 964 | 1 509 853 | 1 540 637 |
| Loans and advances to financial institutions | 32 676 | 159 511 | 27 060 | 149 142 |
| Loans to individuals (Retail) | 286 756 | 275 478 | 284 460 | 274 677 |
| Loans to business customers | 1 148 105 | 1 189 975 | 1 074 315 | 1 116 818 |
| Finance lease receivables | 122 156 | - | 121 605 | - |
| Trading assets: | | | | |
| - Debt securities | 10 856 | 4 676 | 12 309 | 6 363 |
| - Equity securities | 30 507 | 3 469 | 28 825 | 3 176 |
| Derivative financial instruments | - | - | - | - |
| Securities available for sale | | | | |
| - Debt securities | 29 061 | 29 061 | 12 170 | 12 170 |
| - Equity securities | 1 354 | 1 354 | 1 556 | 1 556 |
| Investment securities held to maturity | | | | |
| - Debt securities | 155 219 | 155 219 | 164 163 | 164 163 |
| Other financial assets | 4 838 | 381 | 11 823 | 611 |
| Credit risk exposures relating to off-balance sheet items are as follows: | | | | |
| Financial guarantees | 68 924 | 68 924 | 89 809 | 89 809 |
| Letters of credit | 18 062 | 18 062 | 8 387 | 8 387 |
| Loan commitments and other credit related liabilities | 114 846 | 111 970 | 118 074 | 112 868 |
| 30 June /31 December | 2 213 082 | 2 207 857 | 2 144 777 | 2 127 538 |

Loans and advances are summarised as follows:

| | 30 June 2008 | | 31 December 2007 | |
|--------------------------------|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Business customers | 1 189 034 | 1 357 754 | 1 110 050 | 1 272 222 |
| Individuals | 288 657 | 276 993 | 285 744 | 275 585 |
| Gross | 1 477 691 | 1 634 747 | 1 395 794 | 1 547 807 |
| Less: allowance for impairment | 10 154 | 9 783 | 7 546 | 7 170 |
| Net | 1 467 537 | 1 624 964 | 1 388 248 | 1 540 637 |

| | 30 June 2008 | | 31 December 2007 | |
|--------------------------------|------------------|------------------|------------------|------------------|
| | Group | Bank | Group | Bank |
| Neither past due nor impaired | 1 230 658 | 1 317 265 | 1 255 707 | 1 410 748 |
| Past due but not impaired | 114 094 | 185 002 | 71 863 | 69 248 |
| Impaired | 132 939 | 132 480 | 68 224 | 67 811 |
| Gross | 1 477 691 | 1 634 747 | 1 395 794 | 1 547 807 |
| Less: allowance for impairment | 10 154 | 9 783 | 7 546 | 7 170 |
| Net | 1 467 537 | 1 624 964 | 1 388 248 | 1 540 637 |

At the beginning of the year 2008 the Bank has amended the Procedures for Loan Evaluation. The definition of impaired loans has been changed, therefore the Bank calculated the loan data for the end of 2007 according to the new regulations.

Neither past due nor impaired loan – is a loan to which a loss event is not recognized and the borrower is not past due with the loan payments (on a principal or interest).

Past due but not impaired loan – is a loan to which a loss event is not recognized and the borrower is past due with the loan payments (on a principal or interest) less than 90 days.

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

Impaired loan – is a loan to which a loss event is recognized. The list of loss events:

1. The borrower's financial status is evaluated as bad or as insufficient ;
2. A borrower is past due with the loan payments (on a principal or interest) for more than 90 days;
3. Proceeds granted to the borrower are used not according to the loan purpose and the implementation terms of investment project are violated;
4. Decrease in collateral value, when the 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. The borrower's financial status is evaluated as sufficient (group 3) and the borrower is past due with the loan payments (on a principal or interest) between 31 day and 90 days.

Loans and advances neither past due nor impaired

| | 30 June 2008 | | 31 December 2007 | |
|------------------------|----------------|----------------|------------------|---------------|
| | Group | Bank | Group | Bank |
| Past due up to 30 days | 98 049 | 169 718 | 59 875 | 58 146 |
| Past due 30-60 days | 12 741 | 12 159 | 8 030 | 7 379 |
| Past due 60-90 days | 3 304 | 3 125 | 3 958 | 3 723 |
| Gross | 114 094 | 185 002 | 71 863 | 69 248 |

Loans and advances impaired

| | 30 June 2008 | | 31 December 2007 | |
|--------------------------|--------------|---------|------------------|---------|
| | Group | Bank | Group | Bank |
| Impaired loans | 132 939 | 132 480 | 68 224 | 67 811 |
| Fair value of collateral | 284 364 | 284 364 | 186 913 | 186 913 |

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 June | 31 December |
|--------------------------------|----------------|----------------|
| | 2008 | 2007 |
| Business customers | 87 136 | 88 605 |
| Individuals | 36 364 | 34 124 |
| Gross | 123 500 | 122 729 |
| | | |
| | | |
| | | |
| Neither past due nor impaired | 101 595 | 98 434 |
| Past due but not impaired | 16 684 | 20 253 |
| Impaired | 5 221 | 4 042 |
| Gross | 123 500 | 122 729 |
| | | |
| Less: allowance for impairment | (1 344) | (1 124) |
| Net | 122 156 | 121 605 |

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

| | 30 June 2008 | | | 31 December 2007 | | |
|--------------------------------------|---------------|--------------------|----------------|------------------|--------------------|----------------|
| | Individuals | Business customers | Total | Individuals | Business customers | Total |
| Finance lease receivables by sector: | | | | | | |
| - transport vehicles | 2 543 | 24 881 | 27 474 | 2 446 | 25 369 | 27 815 |
| - residential real estate | 13 | 21 196 | 21 209 | 88 | 20 569 | 20 657 |
| - airplanes | - | 11 230 | 11 230 | - | 11 756 | 11 756 |
| - production equipment | 230 | 13 550 | 13 780 | 164 | 14 987 | 15 151 |
| - other equipment | 12 578 | 10 004 | 22 582 | 21 287 | 10 681 | 31 968 |
| - other assets | 21 000 | 6 275 | 27 275 | 10 139 | 5 243 | 15 382 |
| Total | 33 364 | 87 136 | 123 500 | 34 124 | 88 605 | 122 729 |

NOTE 6 SECURITIES

| Trading securities | 30 June 2008 | | 31 December 2007 | |
|--------------------------|---------------|--------------|------------------|--------------|
| | Group | Bank | Group | Bank |
| Debt securities: | | | | |
| Private enterprise bonds | | - | 5 946 | - |
| Government bonds | 6 180 | 4 676 | 6 363 | 6 363 |
| Equity securities: | | | | |
| Listed | 1 159 | 1 159 | 393 | 393 |
| Unlisted | 27 080 | 42 | 25 688 | 39 |
| Units of funds | 2 268 | 2 268 | 2 744 | 2 744 |
| Total: | 41 363 | 8 145 | 41 134 | 9 539 |

BREAKDOWN OF THE BANK'S TRADING SECURITIES AS AT 30 JUNE 2008 AND 31 DECEMBER 2007:

| Rating | Treasury bills | | Corporate debt securities | | Corporate equity securities | | Investment fund units | |
|-----------------|----------------|--------------|---------------------------|----------|-----------------------------|------------|-----------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| AAA | - | - | - | - | - | - | - | - |
| FROM AA- TO AA+ | - | - | - | - | - | - | - | - |
| FROM A- TO A+ | 4 676 | 6 363 | - | - | - | - | - | - |
| BELOW A- | - | - | - | - | - | - | - | - |
| NO RATING | - | - | - | - | 1 201 | 432 | 2 268 | 2 744 |
| TOTAL: | 4 676 | 6 363 | - | - | 1 201 | 432 | 2 268 | 2 744 |

BREAKDOWN OF THE GROUP'S TRADING SECURITIES AS AT 31 JUNE 2008 AND 31 DECEMBER 2007:

| Rating | Treasury bills | | Corporate debt securities | | Corporate equity securities | | Investment fund units | |
|-----------------|----------------|--------------|---------------------------|--------------|-----------------------------|---------------|-----------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| AAA | - | - | - | - | - | - | - | - |
| FROM AA- TO AA+ | - | - | - | - | - | - | - | - |
| FROM A- TO A+ | 4 676 | 6 363 | - | - | - | - | - | - |
| BELOW A- | - | - | - | - | - | - | - | - |
| NO RATING | - | - | 6 180 | 5 946 | 28 239 | 26 081 | 2 268 | 2 744 |
| TOTAL: | 4 676 | 6 363 | 6 180 | 5 946 | 28 239 | 26 081 | 2 268 | 2 744 |

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

| Investment securities | 30 June 2008 | | 31 December 2007 | |
|--|--------------------|---------------|------------------------|---------------|
| | Group | Bank | Group | Bank |
| Bonds: | | | | |
| Private enterprise bonds the Republic of Lithuania | 14 172 | 14 172 | - | - |
| Government bonds of foreign states (rating AAA) | 14 889 | 14 889 | 12 170 | 12 170 |
| Securities available-for-sale: | | | | |
| Unlisted equity securities | 515 | 515 | 515 | 515 |
| Units of funds | 839 | 839 | 1 041 | 1041 |
| Total : | 30 415 | 30 415 | 13 726 | 13 726 |

The shares that have been bought by the bank not only with the purpose to earn profit later selling them but also because of the opportunity to participate in the issuer's management or in pursue to represent other bank's or its clients' or business partners' interest are allocated to the category of securities held for sales.

Securities held-to-maturity

| | 30 June 2008 | | 31 December 2007 | |
|---|--------------------|----------------|------------------------|----------------|
| | Group | Bank | Group | Bank |
| Bonds of non-residents | 8 412 | 8 412 | 8 358 | 8 358 |
| Government bonds of foreign states | 23 346 | 23 346 | 23 429 | 23 429 |
| Government bonds of the Republic of Lithuania | 112 443 | 112 443 | 120 728 | 120 728 |
| Bonds of residents | 11 018 | 11 018 | 11 648 | 11 648 |
| Total investment securities: | 155 219 | 155 219 | 164 163 | 164 163 |

| Rating | Treasury bills | | Municipality debt securities | | Corporate debt securities | |
|-----------------|----------------|----------------|------------------------------|------------|---------------------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| AAA | - | - | - | - | - | - |
| FROM AA- TO AA+ | - | - | - | - | - | - |
| FROM A- TO A+ | 135 028 | 143 413 | - | - | 1 689 | 2 681 |
| BELOW A- | - | - | 761 | 744 | 6 501 | 6 532 |
| NO RATING | - | - | - | - | 11 240 | 10 793 |
| TOTAL: | 135 028 | 143 413 | 761 | 744 | 19 430 | 20 006 |

| Investments in subsidiaries | 30 June 2008 | | | 31 December 2007 | | |
|---|--------------------|------------------|----------------|------------------------|------------------|----------------|
| | Share in equity | Acquisition cost | Carrying value | Share in equity | Acquisition cost | Carrying value |
| Investments in consolidated subsidiaries: | | | | | | |
| ŠB Lizingas UAB | 100,0% | 1 000 | 1 000 | 100,0% | 1 000 | 1 000 |
| ŠB Investicijų Valdymas UAB | 60,4% | 604 | 604 | 60,4% | 604 | 604 |
| ŠB Turto Fondas UAB | 53,1% | 531 | 531 | 53,10% | 531 | 531 |
| Total : | | | 2 135 | | | 2 135 |

“Pajūrio alka“ UAB is sold in May 2007.

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

NOTE 7 OTHER ASSETS

| | 30 | | 31 | |
|---|---------------|--------------|---------------|--------------|
| | June | | December | |
| | 2008 | | 2007 | |
| | Group | Bank | Group | Bank |
| Assets held for sale and real estate projects under development | 13 976 | - | 16 531 | - |
| Amounts receivable | 4 838 | 381 | 11 823 | 611 |
| Deferred expenses | 4 643 | 4 589 | 3 378 | 3 337 |
| Prepayments | 6 127 | 1 723 | 4 699 | 1 021 |
| Foreclosed assets | 45 | 45 | 45 | 45 |
| Dividends receivable | 1 403 | 1 052 | - | - |
| Other | 2 132 | 577 | 1 319 | 380 |
| Total: | 33 164 | 8 367 | 37 795 | 5 394 |

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

| | 30 | | 31 | |
|--|----------------|----------------|----------------|----------------|
| | June | | December | |
| | 2008 | | 2007 | |
| | Group | Bank | Group | Bank |
| Correspondent accounts and deposits of other banks and financial institutions: | | | | |
| Correspondent accounts and demand deposits | 29 501 | 29 516 | 89 938 | 90 014 |
| Time deposits | 53 654 | 53 654 | 65 437 | 65 437 |
| Total correspondent accounts and deposits of other banks and financial institutions | 83 155 | 83 170 | 155 375 | 155 451 |
| Loans received: | | | | |
| Loans from other banks | 248 844 | 239 844 | 223 837 | 214 837 |
| Loans from international organisations | 84 746 | 84 746 | 84 383 | 84 383 |
| Total loans received | 333 590 | 324 590 | 308 220 | 299 220 |
| Total: | 416 745 | 407 760 | 463 595 | 454 671 |

NOTE 9 DUE TO CUSTOMERS

| | 30 | | 31 | |
|---|------------------|------------------|------------------|------------------|
| | June | | December | |
| | 2008 | | 2007 | |
| | Group | Bankas | Group | Bankas |
| Demand deposits: | | | | |
| National government institutions | 8 615 | 8 615 | 3 571 | 3 571 |
| Local government institutions | 51 380 | 51 380 | 24 579 | 24 579 |
| Governmental and municipal companies | 4 671 | 4 671 | 5 856 | 5 856 |
| Corporate entities | 92 087 | 92 196 | 136 984 | 137 022 |
| Non-profit organisations | 6 590 | 6 590 | 7 583 | 7 583 |
| Individuals | 117 167 | 117 167 | 117 239 | 117 239 |
| Unallocated amounts due to customers | 16 084 | 16 084 | 11 033 | 11 033 |
| Total demand deposits: | 296 594 | 296 703 | 306 845 | 306 883 |
| Time deposits: | | | | |
| National government institutions | 10 242 | 10 242 | 15 378 | 15 378 |
| Local government institutions | 8 000 | 8 000 | 9 606 | 9 606 |
| Governmental and municipality companies | 98 144 | 98 144 | 86 499 | 86 499 |
| Corporate entities | 138 500 | 138 406 | 113 588 | 113 484 |
| Non-profit organisations | 5 019 | 5 019 | 4 875 | 4 875 |
| Individuals | 801 196 | 801 196 | 680 217 | 680 217 |
| Total time deposits: | 1 061 101 | 1 061 007 | 910 163 | 910 059 |
| Total: | 1 357 695 | 1 357 710 | 1 217 008 | 1 216 942 |

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

NOTE 10 SPECIAL AND LENDING FUNDS

| | 30 | | 31 | |
|---------------|---------------|---------------|---------------|---------------|
| | June 2008 | | December 2007 | |
| | Group | Bank | Group | Bank |
| Special funds | 429 | 429 | 217 | 217 |
| Lending funds | 32 476 | 32 347 | 36 333 | 35 875 |
| Total: | 32 905 | 33 776 | 36 550 | 36 092 |

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 | | 31 | |
|---|---------------|---------------|---------------|---------------|
| | June 2008 | | December 2007 | |
| | Group | Bank | Group | Bank |
| Short term debenture bonds denominated in LTL with discount rate of 5.2 per cent, maturity 05-08-2008 | 9 620 | 9 620 | 9 382 | 9 382 |
| Two year bonds denominated in EUR with coupon rate of 4.6 per cent, maturity 17-05-2008 | 20 828 | 20 828 | 19 168 | 19 168 |
| Total : | 30 448 | 30 448 | 28 550 | 28 550 |

NOTE 12 OTHER LIABILITIES

| | 30 | | 31 | |
|--|---------------|--------------|---------------|--------------|
| | June 2008 | | December 2007 | |
| | Group | Bank | Group | Bank |
| Accrued charges | 4 853 | 4 260 | 4 922 | 4 422 |
| Deferred income | 1 318 | 439 | 1 636 | 437 |
| Advances received from the buyers of assets | 3 685 | - | 3 180 | - |
| Amounts payable for finance lease agreements | 2 841 | - | 4 977 | - |
| Payable dividends | 76 | 76 | | |
| Other | 862 | 469 | 1 253 | 1 141 |
| Total: | 13 635 | 5 244 | 15 968 | 6 000 |

NOTE 13 SHARE CAPITAL

As at 30 June 2008, the Bank's share capital comprised 180 357 533 ordinary registered shares with par value of LTL 1 each.

A resolution to increase the bank's authorized capital by LTL 19.324.021 and to issue the same number of ordinary registered shares with the par value of LTL1 each was made during the General Shareholders' Meeting of Šiaulių bankas AB held on March 27th 2007. On 14 May 2008, the Bank has registered the increase of the Bank's authorised share capital.

As of 30 June 2008, the shareholders holding over 5% of the Bank's shares with voting rights are listed in the table below:

| Shareholders | Percentage of shares with voting rights, % |
|--|--|
| European Bank for Reconstruction and Development | 16,06 |
| Gintaras Kateiva | 5,86 |
| Prekybos Namai Aiva UAB | 5,18 |
| Total: | 27,10 |

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

Another 17 shareholders had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Seven shareholders of the Bank – European Bank for Reconstruction and Development, Prekybos Namai Aiva UAB, Mintaka UAB, Alita AB, Algirdas Butkus, Gintaras Kateiva and Arvydas Salda – acting jointly in accordance with the Agreement of Shareholders, together with related persons at the end of the year held 39,54 per cent of the Bank's shares and voting rights. Based on its Resolution No. 103 dated 23 June 2005, the Bank of Lithuania gave its consent for this group of shareholders to acquire a qualified share of the authorised share capital and voting rights.

As at 30 June 2008, the Bank had 3 740 shareholder (31 December 2007- 3 495).

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 2008, the annual general meeting of shareholders decided to pay 2 % dividends to the holders of ordinary shares.

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 June 2008 | 30 June 2007 |
|--|-------------------------|-------------------------|
| Profit for the year attributable to equity holders of the Bank (in LTL thousand) | 15 019 | 20 541 |
| Weighted average number of issued shares (thousand of shares) | 180 358 | 121 033 |
| Earnings per share (in LTL per share) | 0,08 | 0,17 |
| Group | 30 June 2008 | 30 June 2007 |
| Profit for the year attributable to equity holders of the Bank (in LTL thousand) | 10 880 | 16 722 |
| Weighted average number of issued shares (thousand of shares) | 180 358 | 121 033 |
| Earnings per share (in LTL per share) | 0,06 | 0,14 |

NOTE 14 MINORITY INTEREST

| | 30 June 2008 | 30 June 2007 |
|--|-------------------------|-------------------------|
| | Group | Group |
| Balance at 1 January | 8 629 | 21 373 |
| Profit for the accounting period | 2 958 | 2 059 |
| Effect of dividends paid | (6 103) | (14 229) |
| Increase (decrease) in minority interest | - | (574) |
| Balance at 30 June/31 December | 5 484 | 8 629 |

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

NOTE 15 NET INTEREST INCOME

| | 30 June 2008 | | 30 June 2007 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Group | Bank | Group | Bank |
| Interest income: | | | | |
| on loans to other banks and financial institutions and placements with credit institutions | 3 254 | 6 841 | 1 483 | 3 208 |
| on loans to customers | 53 921 | 53 751 | 32 525 | 32 259 |
| on debt securities | 4 559 | 4 324 | 3 763 | 3 763 |
| on finance leases | 6 280 | - | 4 479 | - |
| Total interest income | 68 014 | 64 916 | 42 250 | 39 230 |
| Interest expense: | | | | |
| on liabilities to other banks and financial institutions and amounts due to credit institutions | (10 525) | (10 266) | (4 849) | (4 687) |
| on customer deposits and other repayable funds | (28 968) | (28 968) | (15 485) | (15 487) |
| on debt securities issued | (760) | (760) | (634) | (825) |
| Compulsory insurance of deposits | (2 988) | (2 988) | (2 298) | (2 298) |
| Total interest expense | (43 241) | (42 982) | (23 266) | (23 297) |
| Net interest income | 24 773 | 21 934 | 18 984 | 15 933 |

NOTE 16 NET FEE AND COMMISSION INCOME

| | 30 June 2008 | | 30 June 2007 | |
|---|-----------------|----------------|-----------------|----------------|
| | Group | Bank | Group | Bank |
| Fee and commission income: | | | | |
| for money transfer operations | 3 709 | 3 787 | 3 923 | 3 988 |
| for payment card services | 1 205 | 1 205 | 915 | 918 |
| for base currency exchange | 726 | 726 | 504 | 505 |
| for operations with securities | 165 | 165 | 484 | 484 |
| other fee and commission income | 1 041 | 1 120 | 952 | 1 084 |
| Total fee and commission income | 6 846 | 7 003 | 6 778 | 6 979 |
| Fee and commission expense: | | | | |
| for payment card services | (1676) | (1 676) | (1 635) | (1 635) |
| for money transfer operations | (658) | (635) | (703) | (703) |
| for operations with securities | (154) | (154) | (238) | (237) |
| for base currency exchange | (7) | (7) | (2) | (2) |
| other fee and commission expenses | (37) | (8) | (63) | (17) |
| Total fee and commission expense | (2 532) | (2 480) | (2 641) | (2 594) |
| Net fee and commission income | 4 314 | 4 523 | 4 138 | 4 385 |

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

NOTE 17 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

| | 30 June 2008 | | 30 June 2007 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Group | Bank | Group | Bank |
| Salaries, social security and other related expenses | (12 395) | (10 715) | (11 126) | (9 678) |
| Rent and maintenance of premises | (2 346) | (2 080) | (1 401) | (1 367) |
| Office equipment maintenance | (462) | (462) | (340) | (332) |
| Depreciation of fixed tangible assets | (1 925) | (1 505) | (1 650) | (1 314) |
| Amortisation of intangible assets | (328) | (318) | (340) | (316) |
| Transportation, post and communications expenses | (1 160) | (1 020) | (1 000) | (814) |
| Real estate tax and other taxes | (470) | (429) | (306) | (225) |
| Advertising and marketing expenses | (346) | (294) | (423) | (373) |
| Training and business trip expenses | (101) | (84) | (170) | (130) |
| Charity | (155) | (131) | (144) | (108) |
| Service organisation expenses | (220) | (208) | (256) | (214) |
| Other operating expenses | (1 397) | (1 192) | (1 208) | (928) |
| Total | (21 305) | (18 438) | (18 364) | (15 799) |

NOTE 18 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 (see Note 27), the close family members of these 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 2007, 2008 a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

The year-end balances of loans granted to and deposits accepted from the Bank's related parties, except for subsidiaries, and their average annual interest rates (calculated as weighted average) were as follows:

| | Balances of deposits | | Average annual interest rates | | Balances of loans | | Average annual interest rates | |
|--|-------------------------|------------------------|----------------------------------|------|----------------------|------------------------|----------------------------------|------|
| | 30 June 2008 | 31 December 2007 | 2008 | 2007 | 30 June 2008 | 31 December 2007 | 2008 | 2007 |
| Members of the Council and the Board | 4 616 | 3 058 | 4,60 | 4,18 | 1 054 | 3 204 | 7,14 | 6,55 |
| Other related parties (excluding subsidiaries of the Bank) | 3 326 | 2 697 | 3,98 | 1,65 | 104 472 | 81 864 | 6,80 | 6,84 |

Transactions with EBRD:

The Bank received a syndicated loan from the EBRD with its balance as at 30 June 2008 (12-31-2007) amounting to EUR 24 million, of which EBRD's share as at 31 December 2007 was LTL 34,804 thousand. Gross loan of EBRD as at 30 June 2008 was LTL 84 746 thousand (2007: LTL 84 383 thousand). Interest and other expenses related to the loan during six months 2008 amounted to LTL 2 597 thousand (31-12-2007: LTL 3 845 thousand).

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

Balances of transactions with the subsidiaries are given below:

| | Balances of deposits | | Average annual interest rates | | Balances of loans | | Average annual interest rates | |
|----------------------------|---------------------------------|--------------------------|--|-------------|------------------------------|--------------------------|--|-------------|
| | 31 | | 2008 | 2007 | 31 | | 2008 | 2007 |
| | 30 June 2008 | December 2007 | | | 30 June 2008 | December 2007 | | |
| Non-financial institutions | 109 | 38 | 0,00 | 0,00 | 45 266 | 46 694 | 6,65 | 5,93 |
| Financial institutions | 15 | 76 | 0,00 | 0,00 | 126 835 | 122 082 | 6,44 | 5,10 |

Transactions with subsidiaries: Šiaulių Banko Turto Fondas UAB (the Bank's holding is 53.10 %, LTL 531 thousand), Šiaulių Banko Investicijų Valdymas UAB (the Bank's holding is 60.4%, LTL 604 thousand), Šiaulių Banko Lizingas UAB (the Bank's holding is 100%, LTL 1,000 thousand).

| Assets | 30 June 2008 | 31 December 2007 |
|---|-------------------------|-----------------------------|
| Demand deposits | | - |
| Loans | 172 101 | 168 776 |
| Debt securities | - | - |
| Equity securities | - | - |
| Dividends receivable | - | - |
| Other assets | 36 | 41 |
| Liabilities and shareholders' equity | | |
| Demand deposits | 124 | 114 |
| Loans | - | - |
| Debt securities | - | - |
| Other liabilities | - | - |
| Bank's investment | 2 135 | 2 135 |

Income and expenses arising from transactions with subsidiaries:

| | 30 June 2008 | 31 December 2007 |
|---|-------------------------|-----------------------------|
| Income | | |
| Interest | 5 058 | 2 337 |
| Commission income | 214 | 233 |
| Income from foreign exchange operations | 2 | 7 |
| Dividends | 8 797 | 7 114 |
| Other income | 117 | 137 |
| Expenses | | |
| Interest | - | 193 |
| Commission charges | - | - |
| Operating expenses | 6 | 18 |

NOTE 19 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.

(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 four 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.

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group for 30 June 2008 and 31 December 2007. During those two years, the Group complied with capital requirements to which it is subject.

| | 30 June 2008 | | 31 December 2007 | |
|--|----------------|----------------|------------------|----------------|
| | Group | Bank | Group | Bank |
| Tier 1 capital | | | | |
| Ordinary shares | 180 358 | 180 358 | 161 033 | 161 033 |
| Share premium | 45 681 | 45 681 | 65 006 | 65 006 |
| Reserve capital | 2 611 | 2 611 | 2 611 | 2 611 |
| Previous year's retained earnings | 44 663 | 33 981 | 25 422 | 11 914 |
| Other reserves | 3 683 | 3 405 | 1 667 | 1 369 |
| Less: Intangible assets | (973) | (958) | (1 251) | (1 227) |
| Total Tier 1 capital | 276 023 | 265 078 | 254 488 | 240 706 |
| Tier 2 capital | | | | |
| Financial assets revaluation reserve | 127 | 127 | 371 | 371 |
| Total Tier 2 capital | 127 | 127 | 371 | 371 |
| Less Investments in other credit or financial institutions | - | (900) | - | (900) |
| Total capital | 276 150 | 264 305 | 254 859 | 240 177 |
| Capital requirement: | | | | |
| Standardised approach credit risk | 124 469 | 117 594 | 116 160 | 109 920 |
| Traded debt instruments | 923 | 676 | 940 | 422 |
| Equities | 3 823 | 578 | 3 644 | 567 |
| Foreign exchange risk exposure | 861 | 727 | 10 178 | 9 892 |
| Operational risk by Basic indicator's method | 9 514 | 6 718 | 9 514 | 6 718 |
| Total capital requirement: | 139 590 | 126 293 | 140 436 | 127 519 |
| Capital ratio, % | 15,83 | 16,74 | 14,52 | 15,07 |

NOTE 20 LIQUIDITY

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

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

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.

The Group controls liquidity risk through established ratios and limits. For the purpose of managing liquidity risk, in addition to the liquidity ratio set by the Bank of Lithuania, which as at 30 June 2008 the Group's ratio was 38,62 (31-12-2007: 39,48) and the Bank's 41,35 (31-12-2007: 44,05), the Group uses the ratio of liquid assets to the total assets, which should not be lower than 20 per cent. Liquid assets used in calculation of the above ratio represents funds held at banks and financial institutions with maturity of less than three months. As at 30 June 2008 the above Group's ratio was 20,02 per cent (31-12-2007: 20,40 per cent), and the Banks – 20,30 (31-12-2007: 20,80).

To follow the solvency status the Group and the Bank monitors availability of liquid funds needed to cover liabilities with a maturity of less than 30 days. Based on the Group's liquidity management policy this ratio (i.e. liquid funds / liabilities of less than 30 days) should not be lower than 100 per cent. As at 30 June 2008 the above ratio on the Group's and the Bank's level was 129,60 (31-12-2007: 107,50 per cent) per cent and 129,61 (31-12-2007: 110,14 per cent) per cent respectively.

The Group and the Bank also calculates 3-months liquidity ratio to monitor longer term liquidity risk. Based on the Group's liquidity risk management policy this ratio should not be lower than 36 per cent. As at 30 June 2008 the Group's and the Bank's ratio was 42,37 per cent (31-12-2007: 48,27 per cent) and 51,83 per cent (31-12-2007: 58,72 per cent) respectively.

The tables below disclose the assets and liabilities as of March 31st 2008 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 compatibility of the assets' and liabilities maturity terms and (or) controlled incompatibility as well as interest rates are essential factors in the Bank's management. It is not a common practise that banks would manage to combine the assets' and liabilities maturity terms completely due to the fact that transactions of various nature and terms frequently take place at the bank. An incompatible position potentially increases profitability, however, it also bears a risk of potential losses.

The maturity of assets and liabilities as well as possibility to change the liabilities that create interest expenditure on their maturity at reasonable price are very significant factors evaluating the Bank's liquidity and incurring risks related to fluctuations in interest rates and currency exchange rates.

The structure of the Group's liabilities by maturity as at 30 June 2008 was as follows.:

| | Demand | Up to 1 month | 1 to 3 month. | 3 to 6 month. | 6 to 12 month | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|-----------|---------------|---------------|---------------|---------------|--------------|-------------------|--------------------|-----------|
| Total assets | 166 061 | 171 799 | 107 012 | 172 666 | 316 476 | 534 206 | 557 337 | 120 947 | 2 146 504 |
| Total liabilities and shareholders' equity | 320 613 | 293 281 | 328 873 | 240 417 | 379 728 | 189 845 | 97 867 | 295 880 | 2 146 504 |
| Net liquidity gap | (154 552) | (121 482) | (221 861) | (67 751) | (63 252) | 344 361 | 459 470 | (174 933) | |

The structure of the Group's liabilities by maturity as at 31 December 2007 was as follows.:

| | Demand | Up to 1 month | 1 to 3 month. | 3 to 6 month. | 6 to 12 month | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|-----------|---------------|---------------|---------------|---------------|--------------|-------------------|--------------------|-----------|
| Total assets | 235 181 | 114 262 | 145 746 | 131 667 | 225 894 | 534 218 | 576 409 | 89 000 | 2 052 377 |
| Total liabilities and shareholders' equity | 400 086 | 256 055 | 224 285 | 220 910 | 366 859 | 187 807 | 105 561 | 290 814 | 2 052 377 |
| Net liquidity gap | (164 905) | (141 793) | (78 539) | (89 243) | (140 965) | 346 411 | 470 848 | (201 814) | |

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

The structure of the Bank's liabilities by maturity as at 30 June 2008 was as follows.:

| | Demand | Up to 1 month | 1 to 3 month. | 3 to 6 month. | 6 to 12 month | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|---------------|----------------------|----------------------|----------------------|----------------------|---------------------|--------------------------|---------------------------|--------------|
| Total assets | 166 014 | 232 333 | 145 143 | 198 729 | 287 500 | 483 188 | 521 336 | 82 132 | 2 116 375 |
| Total liabilities and shareholders' equity | 318 318 | 289 701 | 328 678 | 239 801 | 370 139 | 188 322 | 97 861 | 283 555 | 2 116 375 |
| Net liquidity gap | (152 304) | (57 368) | (183 535) | (41 072) | (82 639) | 294 866 | 423 475 | (201 423) | |

The structure of the Bank's liabilities by maturity as at 31 December 2007 was as follows.:

| | Demand | Up to 1 month | 1 to 3 month. | 3 to 6 month. | 6 to 12 month | 1 to 3 years | More than 3 years | Maturity undefined | Total |
|---|---------------|----------------------|----------------------|----------------------|----------------------|---------------------|--------------------------|---------------------------|--------------|
| Total assets | 232 201 | 180 793 | 174 093 | 157 590 | 190 589 | 484 606 | 539 191 | 54 083 | 2 013 146 |
| Total liabilities and shareholders' equity | 397 792 | 241 343 | 224 031 | 220 495 | 366 200 | 186 682 | 105 437 | 271 166 | 2 013 146 |
| Net liquidity gap | (165 591) | (60 550) | (49 938) | (62 905) | (175 611) | 297 924 | 433 754 | (217 083) | |

NOTE 21 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. Based on the Bank's policy TOP may not exceed 3% of the total Bank's capital. As at 30 June 2008 the TOP to capital ratio was: Group's – 1,27 % (31-12-2007: 1,36 %), Bank's – 1,11 % (31-12-2007: 1,40 %).

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. After the evaluation of the maximum fluctuation among currency rates during 2008, the FX risk parameters for the Group have been chosen.

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

| Currency | Annual reasonable shift, 2008 | Annual reasonable shift, 2008 |
|------------------|----------------------------------|----------------------------------|
| LVL | 1% | 1% |
| GBP | 1% | 1% |
| NOK | 1% | 1% |
| USD | 5% | 5% |
| SEK | 1% | 1% |
| Other currencies | 3% | 3% |

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:

| Group | 30 June 2008 | | 31 December 2007 | |
|----------------------------|-----------------------------|------------------|-----------------------------|------------------|
| | Impact on profit or loss | Impact on equity | Impact on profit or loss | Impact on equity |
| US Dollars weakening by 5% | 25 | 25 | 16 | 16 |
| GBP strengthening by 1% | 9 | 9 | 9 | 9 |
| NOK strengthening by 1% | 1 | 1 | 6 | 6 |
| SEK strengthening by 1% | 5 | 5 | 4 | 4 |
| LVL strengthening by 1% | 6 | 6 | 4 | 4 |
| Other strengthening by 3% | 23 | 23 | 30 | 30 |
| Total | 69 | 69 | 69 | 69 |

| Bank | 30 June 2008 | | 31 December 2007 | |
|----------------------------|-----------------------------|------------------|-----------------------------|------------------|
| | Impact on profit or loss | Impact on equity | Impact on profit or loss | Impact on equity |
| US Dollars weakening by 5% | 25 | 16 | 16 | 16 |
| GBP strengthening by 1% | 9 | 7 | 9 | 9 |
| NOK strengthening by 1% | 1 | (2) | 6 | 6 |
| SEK strengthening by 1% | 5 | 2 | 4 | 4 |
| LVL strengthening by 1% | 6 | 5 | 4 | 4 |
| Other strengthening by 3% | 9 | 24 | 30 | 30 |
| Total | 55 | 52 | 69 | 69 |

The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 55 thousand in 2008 and the Group's annual profit and makes LTL 69 thousand in 2008 (2007: LTL 69 thousand) higher/lower impact on profit.

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.

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

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.

| Group | Demand and less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Non- monetary | Total |
|--|------------------------------------|-----------------------|-----------------------|------------------------|---------------------|------------------|-----------|
| Total assets | 326 768 | 461 867 | 688 189 | 115 058 | 260 908 | 293 714 | 2 146 504 |
| Total liabilities and shareholder's equity | 362 935 | 534 174 | 247 158 | 299 900 | 56 656 | 645 681 | 2 146 504 |
| Net interest sensitivity gap at 30 June 2008 | (36 167) | (72 307) | 441 031 | (184 842) | 204 252 | (351 967) | |
| Higher/lower impact on profit from balance sheet assets and liabilities | (347) | (603) | 2 756 | (462) | - | - | 1 345 |

| Group | Demand and less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Non- monetary | Total |
|--|------------------------------------|-----------------------|-----------------------|------------------------|---------------------|------------------|-----------|
| Total assets | 217 149 | 434 270 | 639 114 | 116 981 | 292 606 | 352 257 | 2 052 377 |
| Total liabilities and shareholder's equity | 351 672 | 417 799 | 238 358 | 260 860 | 60 562 | 723 126 | 2 052 377 |
| Net interest sensitivity gap at 31 December 2007 | (134 523) | 16 471 | 400 756 | (143 879) | 232 044 | (370 869) | |
| Higher/lower impact on profit from balance sheet assets and liabilities | (1 289) | 137 | 2 505 | (360) | - | - | 993 |

Bank

| Bank | Demand and less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Non- monetary | Total |
|--|------------------------------------|-----------------------|-----------------------|------------------------|---------------------|------------------|-----------|
| Total assets | 375 316 | 469 011 | 699 336 | 94 674 | 247 206 | 230 832 | 2 116 375 |
| Total liabilities and shareholder's equity | 362 935 | 534 174 | 247 064 | 290 900 | 56 656 | 624 646 | 2 116 375 |
| Net interest sensitivity gap at 30 June 2008 | 12 381 | (65 163) | 452 272 | (196 226) | 190 550 | (393 814) | |
| Higher/lower impact on profit from balance sheet assets and liabilities | 119 | (543) | 2 827 | (491) | - | - | 1 912 |

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Bank

| | Demand and less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Non- monetary | Total |
|--|------------------------------------|-----------------------|-----------------------|------------------------|---------------------|------------------|-----------|
| Total assets | 287 337 | 432 711 | 653 183 | 76 313 | 280 063 | 283 539 | 2 013 146 |
| Total liabilities and shareholder's equite | 342 672 | 417 799 | 238 358 | 260 756 | 60 562 | 692 999 | 2 013 146 |
| Net interest sensitivity gap at 31 December 2007 | (55 335) | 14 912 | 414 825 | (184 443) | 219 501 | (409 460) | |
| Higher/lower impact on profit from balance sheet assets and liabilities | (530) | 124 | 2 593 | (461) | - | - | 1 726 |

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 reduction processes and their 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 operations: work with cash, lending, establishment and application of fees, payments and settlements, IT, accounting, public trading intermediary, etc.

Taking into consideration the nature and scope of the banking activities, the following operational risk sources may be distinguished: information systems, human impact and loss of tangible assets.

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.

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.

The Bank's operational risk management system is complimented by the Information Security and Emergency Management System created and installed by the IT agency "Blue Bridge", which increased the reliability of e-banking services and reduced the risks that the Bank's activities might be disturbed using the IT. New regulations regarding the secure work with the IT have been established and started to be applied in all the outlets of the Bank and for separate bank officers, which allows significantly mitigate the risks of crisis related to information security.

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 to calculate the additional capital requirements.

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.

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

22 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 2008 and in the income statement for the year then ended:

| | Banking | Investment Leasing management | Real estate development | Elimina tions | Total Group |
|---|------------------|--|------------------------------------|--------------------------|--------------------|
| Internal | 5 058 | (3 587) | (715) | (756) | - |
| External | 16 876 | 6 720 | 311 | 866 | - |
| Net interest income | 21 934 | 3 133 | (404) | 110 | - |
| Internal | 5 272 | (3 801) | (715) | (756) | - |
| External | 21 185 | 6 675 | 332 | 895 | - |
| Net interest, fee and commissions income | 26 457 | 2 874 | (383) | 139 | - |
| Provision expenses | (2 599) | (413) | - | - | (3 012) |
| Internal | 6 | (97) | (13) | (13) | 117 |
| External | (16 621) | (1 376) | (360) | (695) | - |
| Operating expenses | (16 615) | (1 473) | (373) | (708) | 117 |
| Amortisation charges | (318) | (8) | - | (2) | - |
| Depreciation charges | (1 505) | (376) | (12) | (32) | - |
| Internal | 8 916 | (2) | - | - | (8 914) |
| External | 1 283 | 382 | 4 071 | 3 971 | - |
| Net other income | 10 199 | 380 | 4 071 | 3 971 | (8 914) |
| Profit before tax | 15 619 | 984 | 3 303 | 3 368 | (8 797) |
| Income tax | (600) | (190) | - | 151 | - |
| Profit per segment after tax | 15 019 | 794 | 3 303 | 3 519 | (8 797) |
| Minority interest | - | - | (1 308) | (1 650) | - |
| Profit for the year attributable to equity holders of the Bank | 15 019 | 794 | 1 995 | 1 869 | (8 797) |
| Total segment assets | 2 116 375 | 144 805 | 27 009 | 32 716 | (174 401) |
| Total segment liabilities | 1 835 171 | 142 779 | 22 295 | 25 016 | (172 266) |
| Net segment assets (shareholders' equity) | 281 204 | 2 026 | 4 714 | 7 700 | (2 135) |

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(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 31 December 2007 and in the income statement for the year then ended:

| | Banking | Investment Leasing management | Real estate development | Elimina tions | Total Group |
|---|------------------|--|------------------------------------|--------------------------|--------------------|
| Internal | 6 015 | (4 341) | (808) | (866) | - |
| External | 36 595 | 10 948 | 179 | 1 239 | - |
| Net interest income | 42 610 | 6 607 | (629) | 373 | - |
| Internal | 6 488 | (4 811) | (809) | (868) | - |
| External | 45 558 | 10 861 | 240 | 1 241 | - |
| Net interest, fee and commissions income | 52 046 | 6 050 | (569) | 373 | - |
| Provision expenses | (5 108) | (950) | 44 | 96 | (5 918) |
| Internal | 36 | (239) | (25) | (31) | 259 |
| External | (34 528) | (2 591) | (858) | (1 324) | - |
| Operating expenses | (34 492) | (2 830) | (883) | (1 355) | 259 |
| Amortisation charges | (617) | (35) | - | (2) | - |
| Depreciation charges | (2 664) | (650) | (37) | (142) | - |
| Internal | 7 404 | (24) | - | (7) | (7 373) |
| External | 12 632 | 662 | 3 011 | 4 679 | - |
| Net other income | 20 036 | 638 | 3 011 | 4 672 | (7 373) |
| Profit before tax | 29 201 | 2 223 | 1 566 | 3 642 | (7 114) |
| Income tax | (1 953) | (468) | (112) | (524) | - |
| Profit per segment after tax | 27 248 | 1 755 | 1 454 | 3 118 | (7 114) |
| Minority interest | - | - | (576) | (1 483) | - |
| Profit for the year attributable to equity holders of the Bank | 27 248 | 1 755 | 878 | 1 635 | (7 114) |
| Total segment assets | 2 013 146 | 143 412 | 29 428 | 37 469 | (171 078,) |
| Total segment liabilities | 1 743 529 | 140 480 | 26 817 | 21 288 | (168 943) |
| Net segment assets (shareholders' equity) | 269 617 | 2 932 | 2 611 | 16 181 | (2 135) |

1. Accounting period covered in the prepared report

The present report has been prepared for the first half year of 2008 according to the "Procedures for preparation and furnishing the periodical and additional information" approved by the resolution No. 1K-3 under the Securities Commission of the Republic of Lithuania dated 23 02 2007.

2. Major data about the issuer

Issuer's name – Stock company Šiaulių bankas

Authorized capital – LTL 180.357.533

Domicile address – Tilžės st. 149, LT – 76348 Šiauliai

Telephone: (+ 370 41) 522117, 595602, 595653.

Fax: (+ 370 41) 430774.

E-mail: info@sb.lt

Internet website: www.sb.lt

Legal-organizational form – a stock company, private limited liability legal entity.

Registry date - February 4th 1992.

The last edit of the Charter registered on 14-05-2008.

The Bank's register code – 112025254.

Period of activity – unlimited.

3. Nature of the issuer's main business

The main business of Šiaulių bankas AB includes commercial banking activities (a code of activity type 65.12.10).

The Bank performs the following operations under 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 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 with 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 the nature of business of credit institutions defined in the legal acts of the Bank of Lithuania.

4. The Group's enterprises

The subsidiaries run by the Bank:

"Šiaulių banko lizingas" UAB, reg. code 145569548.

Authorized capital – LTL 1 million. The Bank owns 100% of shares.

Domicile address – Vilniaus st. 167, LT – 76352 Šiauliai

Telephone: (+ 370 41) 420855

Fax: (+ 370 41) 430774

E-mail: lizingas@sb.lt

Nature of business – financial lease.

“Šiaulių banko investicijų valdymas” UAB , reg. code 145649065.

Authorized capital – LTL 1 million. The Bank owns 60.4 % of shares, i.e. LTL 604.000 of the company’s authorized capital

Domicile address – Vilniaus st. 167, LT – 76352 Šiauliai

Telephone: (+ 370 41) 429227

Fax: (+ 370 41) 525585

E-mail: valdymas@sb.lt

Nature of business – investments into debt and equity securities, into small and medium-sized private companies, funding and sharing the financial management experience.

“Šiaulių banko turto fondas” UAB , reg. code 145855439.

Authorized capital – LTL 1 million. The Bank owns 53.10 % of shares, i.e. LTL 531.000 of the company’s authorized capital

Domicile address – Vilniaus st. 167, LT – 76352 Šiauliai

Telephone: (+ 370 41) 525320

Fax: (+ 370 41) 460774

E-mail: turtofondas@sb.lt

Nature of business – long-term investments into land and real estate.

Šiaulių bankas has 58 client service outlets that operate in 32 towns of the country.

5. Data on trading in shares of the enterprises belonging to the Group in the regulated markets

Only the Bank’s shares are listed on the main list of Vilnius Stock Exchange . ISIN code LT0000102253, a number of shares – 180.357.533

A two-year bond issue amounting in EUR 10 million ISIN LT0000402016 has been listed on the debt securities list of the Vilnius Stock during the first half-year. The bond redemption term is 17-05-2008.

Transactions with the Bank’s shares in Vilnius Stock Exchange:

| Quarter | The highest price, LTL | The lowest price, LTL | Biggest trading, LTL | Smallest trading, LTL | Last session price, LTL | Last session trading, LTL |
|----------------|------------------------|-----------------------|----------------------|-----------------------|-------------------------|---------------------------|
| I quart. 2008 | 3,49 | 2,71 | 3.397.320 | 0 | 2,74 | 480.511 |
| II quart. 2008 | 2,79 | 2,08 | 1.195.144 | 0 | 2,09 | 110.229 |

6. The Bank’s activities, standards limiting risks of the Bank’s activities and profitability ratios

During 6 months this year the amount of credits granted by the bank increased by 27.2 per cent and exceeded LTL 1,6 billion in comparison with the same period last year. The clients' deposit portfolio increased by a quarter during the year and comprised LTL 1,36 billion at the end of the half-year. The bank started accept a new type of deposit, i.e. a Child's deposit. The number of users of the Internet system "SB linija" bank increased by 48 per cent in comparison with the half-year last year. During the half-year Šiaulių bankas AB opened new client service centers in Vilnius, Klaipėda, Rokiškis, Kupiškis, Kaunas, Panevėžys and Šiauliai.

Šiaulių bankas and public institution Lithuanian Innovation Centre signed a collaboration agreement in May regarding fostering of business innovations.

The long-time collaboration relate Šiaulių bankas with the European Bank for reconstruction and Development (EBRD), Northern Investment Bank (NIB), Council of Europe Development Bank (CEB) and commercial banks from the various states of the world. Resources lent by the foreign banks and international organizations comprises almost 20 per cent of the bank's liabilities. On June 20, 2008 Šiaulių bankas signed the agreement regarding a syndicated loan of EUR 20 million. The loan has been organized by the HSH Nordbank AG from Germany and Raiffeisen Zentralbank Osterreich AG from Austria.

On 19/05/2008 the bank disseminated a bond issue of EUR 8 million. The redemption term is 27/05/2007; the yield is 7.5 per cent.

Financial ratios of the Bank and Group:

| | 30-06-2007 | 30-06-2008 |
|---|------------|------------|
| Net interest income (thou, LTL) of the Bank | 15.933 | 21.934 |
| of the Group | 18.984 | 24.773 |
| Net service and commission income (thou, LTL) of the Bank | 4.385 | 4.523 |
| of the Group | 4.138 | 4.314 |
| Profit (thou, LTL) of the Bank | 20.541 | 15.019 |
| of the Group | 16.722 | 10.880 |

| | 30-06-2007 | 30-06-2008 |
|---|------------|------------|
| Bank's liquidity ratio (%) | 38,25 | 41,35 |
| Capital adequacy ratio (%): of the Bank | 11,19 | 16,74 |
| of the Group | 11,54 | 15,83 |

The Bank's profitability ratios:

| | 30-06-2007 | 30-06-2008 |
|---------|------------|------------|
| ROAA, % | 1.12 | 2.73 |
| ROAE, % | 11.80 | 25.57 |

Other financial information is provided in the notes of the financial statement for 6-month period.

7. Information about agreements with the intermediaries of public trading of securities

Šiaulių bankas AB has entered into the agreements regarding securities accounting (custody) and acceptance and execution of commissions with the following intermediaries of public trading of securities: AB FMI "Finasta"; DnB NORD bankas; AB bankas Snoras FMS; AB "Hansabankas"; UAB Medicinos bankas FMS; FMI UAB "Suprema"; AB SEB Vilniaus bankas VP Accounting and Custody Department.

8. Acquisition of the own shares

During the accounting period there were no shares that would belong to the bank itself, to its subsidiaries or to entities that operate under the delegation of the subsidiaries. The bank neither acquired its own shares nor delegated them to others.

9. Shareholders

As of June 30th 2008 the total number of shareholders comprised of 3.740. The following bank's shareholders owned more than 5% of the authorized capital:

| No | Shareholder | Number of shares under ownership | Number of shares owned by persons operating together | Percentage of the authorized capital, % (operating together %) | Percentage of votes, % |
|----|---|----------------------------------|--|--|------------------------|
| 1. | European Bank for Reconstruction and Development (EBRD), One Exchange Square, London, Great Britain | 28.965.344 | 42.351.731 | 16,06 (23,48) | 16,06 |
| 2. | Gintaras Kateiva | 10.561.509 | 60.755.566 | 5,86 (33,68) | 5,86 |
| 3. | Trading House "Aiva" UAB, Vilniaus st.167, Šiauliai reg. code 144031190 | 9.350.405 | 61.966.670 | 5,18 (34,36) | 5,18 |

The Bank's shareholders such as the European Bank for Reconstruction and Development, Trading House "Aiva" UAB, "Mintaka" UAB, "Alita" AB, Algirdas Butkus, Gintaras Kateiva and Arvydas Salda operating together form the Group. As of 30-06-2008 39.57 per cent of the Bank's authorized capital and votes were owned by this Group.

10. Ratings and their amendments provided by the International rating

agencies

The financial stability and strength of Šiaulių bankas AB has been positively evaluated by the independent experts – In February 2007 the international rating agency “Moody’s” have granted the following ratings to Šiaulių bankas:

- long-term deposit rating – Ba2;
- financial strength rating – D;
- short-term deposit rating – NP;
- long-term rating outlook – stable.

11. Other information about the Issuer

11.1. Structure of the Issuer’s authorized capital

The bank’s authorized capital is registered at State Enterprise Centre of Registers on May 14th 2008. The capital’s size – LTL 180.357.533. It consists of 180.357.533 ordinary registered shares. A par value per share is LTL 1. One share gives one vote to a shareholder during the General Shareholders’ Meeting. Shareholders are entitled with interest and non-interest rights as well as to commitments defined in the Law on Stock Companies of the Republic of Lithuania.

11.2. all the limits applied to delegation of securities – ;

11.3. shareholders entitled to special control rights and definitions of these rights – the shareholders control the Bank through the elected Supervisory Board. Their functions are defined in the Law on Stock Companies of the Republic of Lithuania.

11.4. all the limits applied to voting rights – a shareholder has no right to make a decision regarding a prerogative right to acquire the bank’s issued shares or regarding recall of the converted bonds in case the agenda of the general shareholders’ meeting foresees that the right to acquire these securities is granted to him, his close relative, shareholder’s spouse or cohabitant, when the partnerships is registered under the applicable law, and to the spouse’s close relative, when a shareholder is a natural entity, also to the shareholder’s patron company or shareholder’s subsidiary, when a shareholder is a legal entity.

Persons or groups of related persons that are acquiring the bank’s share blocks (1/10) or increasing them up to 1/5, 1/3, 1/2, 2/3 or exceeding this amount have to receive the prior consent from the Bank of Lithuania. Persons that acquire the shares without the mentioned consent lose their voting right in the General Shareholders’ Meeting. Persons that do not report the Bank or Securities Commission of the Republic of Lithuania about the share block acquisition lose their votes in the General Shareholders’ Meeting for 2 years after disclosure of the incorrect data under the Law and legal acts of the Republic of Lithuania, which exceed the amount of the last reported block.

12. Employees

On 30-06-2008 the Bank employed a staff of 520. By end-2007 – 483 employees. Average staff number during six months of 2007 – 496. Average staff number in 2007 – 438.

At the end of the reporting year 60% of all Bank employees had university education, 26% – non-higher professional education, and 14% – special secondary and secondary education.

Distribution of employees groups by the number of staff and average monthly wage is given in the Table below:

| | Staff number | | Average monthly wage (LTL) | |
|------------|--------------|---------------------|----------------------------|---------------------|
| | 2007 | Ist quarter of 2008 | 2007 | Ist quarter of 2008 |
| Leadership | 8 | 8 | 18.027 | 21.937 |
| Employees | 450 | 488 | 2.088 | 2.363 |

13. Transactions with the related parties

During the accounting period there were many banking transactions entered with the related parties on usual activity basis. The related parties are deemed to be the members of the Bank's Supervisory Council and Bank's Board acting together under the Shareholders' Agreement, the close relatives of the mentioned related parties and the Bank's subsidiaries. All the transactions have been entered in terms of the usual market conditions. The comprehensive description of transactions entered with the related parties is provided in the enclosed financial statements.

14. Information about the compliance with the Corporate Governance Code

The Bank obeys most of the rules defined in the Code on Company's Management. The Bank's management bodies consist of the general shareholders' meeting, Supervisory Council of 7 members elected for 4 years, the Bank's Board of 5 members elected for 4 years by the Supervisory Council and Chief Executive Officer. The Bank has formed the Audit Committee. All the Council members have the bank's shares (personally or through the companies represented by them), therefore they are not considered to be the independent members.

15. Data on the publicly announced information

the information announced publicly during the Ist half-year of 2008:

- 24-01-2008 – preliminary results of 2007;
- 21-02-2008 – pre-audited activity result of the Bank's Group for 2007;
- 21-02-2008 - summoning of the General Shareholders' Meeting;
- 29-02-2008 – interim financial statements of Šiaulių bankas AB for 12 months of 2007;

- 15-03-2008 – draft resolution of the General Shareholders’ Meeting to be held on 27-03-2008;
- 27-03-2008 – resolutions of the General Shareholders’ Meeting dated 27-03-2008;
- 28-03-2008 – audited financial statements for 2007;
- 01-04-2008 – corrected audited financial statements for 2007;
- 14-04-2008 – pre-audited result of Šiaulių bankas AB for the 1st quarter of 2008;
- 23-04-2008 - pre-audited result of Šiaulių bankas Group for the 1st quarter of 2008;
- 15-05-2008 – registration of the amended Charter of the Bank after the increase of the authorized capital;
- 22-05-2008 – after dissemination of 80.000 units of the bond issue an account was opened in the Central Securities Depository of Lithuania;
- 30-05-2008 – financial statements of Šiaulių bankas AB for the 1st quarter of 2008;
- 25-06-2008 - Šiaulių bankas AB is granted with a syndicated loan amounting in EUR 20 million.

Šiaulių bankas AB has informed the Securities Commission and Vilnius Stock Exchange about all the stock events. The notifications about summoning of general shareholders’ meetings as well as their resolutions have been additionally published in the daily newspapers “Lietuvos rytas” and “Šiaulių kraštas”. Other regulated information (reports on the share block acquisition or loss as well information about leaders’ transactions) has been published on the websites of Vilnius Stock Exchange and the Securities Commission.

16. The Bank’s bodies

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

The Council is a collegial body supervising the activities of the Bank. It is directed by its Chairman. The General Meeting of the Shareholders elects the Supervisory Council, consisting of 7 members.

The Board is a collegial Bank management body consisting of 5 members. It manages the bank, handles its matters and answers under the laws for execution of the bank’s financial services. Order of the board’s work is set by the Board work regulations. The Board is elected by the Council for a term of 4 years.

The Head 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.

Managing bodies of the bank observe laws and other legal acts of the Republic of Lithuania and follow the requirements of the Charter of the Bank.

17. Members of the collegial bodies, a CEO of the company and a chief financial officer

| Name, surname Beginning-end of the tenure | Position hold at Šiaulių bankas AB | Capital share owned, % | Vote share possessed, % |
|---|---|---------------------------|-------------------------------|
| Arvydas Salda 27 03 2008 - 2012 | Chairman of the Council | 2.53 | 2.53 |
| Sigitas Baguckas 27 03 2008 - 2012 | Deputy Chairman of the Council | 0,55 | 0,55 |
| Gintaras Kateiva 27 03 2008 - 2012 | | 5.86 | 5.86 |
| Kastytis Jonas Vyšniauskas 27 03 2008 - 2012 | Member of the Council | 1,05 | 1,05 |
| Vigintas Butkus 27 03 2008 - 2012 | Member of the Council | 0,28 | 0,28 |
| Vytautas Junevičius 27 03 2008 - 2012 | Member of the Council | 0,03 | 0,03 |
| Matti Hyyrynen 27 03 2008 - 2012 | Member of the Council | - | - |
| Ričardas Valskis 27 03 2008 - 2012 | | 0.60 | 0.60 |
| Algirdas Butkus 27 03 2008 - 2012 | Chairman of the Board Chief Executive Officer | 3.07 | 3.07 |
| Donatas Savickas 27 03 2008 - 2012 | Member of the Board, Deputy Chief Executive Officer, Head of Finance and Credit Division | <0,01 | <0,01 |
| Vita Adomaitytė 27 03 2008 - 2012 | Member of the Board, Chief Financial Officer, Head of Accounting and Reporting Division | 0,02 | 0,02 |
| Daiva Kiburienė 27 03 2008 - 2012 | Member of the Board, Head of Corporate and Retail Banking Division | <0,01 | <0,01 |
| Jonas Bartkus 27 03 2008 - 2012 | Member of the Board, Head of Business Development Division | <0,01 | <0,01 |

Amounts calculated in total and in average sizes allocated to one member of the collegial body during the accounting period:

| Members of the management bodies | Number of people | Total amounts of salaries/bonuses, other payoffs from profit (LTL) | Average amounts of salaries/bonuses, other payoffs from profit (LTL) |
|----------------------------------|------------------|--|--|
| Council members | 7 | 624.000 | 89.143 |
| Board members | 5 | 926.111 | 185.222 |
| Administration members | 2 | 584.362 | 292.181 |

No guarantees or warranties regarding the implementation of management bodies' liabilities have been granted during the I st quarter of 2008.

18. Procedure for Charter amendment

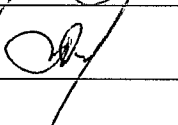
The Bank's Charter may be amended only by a resolution of the general shareholders' meeting made by 2/3 majority of votes except exclusive cases foreseen by the law.

Chief Executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaityte

August 11th, 2008