



CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief executive Officer AB Algirdas Butkus and Chief Financial Officer Vita Adomaitytė, confirm that provided financial statements of Šiaulių bankas AB for 3 month a year of 2010 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the assets, liabilities, financial status and activity result of Šiaulių bankas AB and the Group.

Chief executive Officer

A handwritten signature in blue ink, appearing to be "AB", written over a faint blue grid.

Algirdas Butkus

Chief Financial Officer

A handwritten signature in blue ink, appearing to be "Vita", written over a faint blue grid.

Vita Adomaitytė

28 May 2010



FINANCIAL STATEMENTS
31 MARCH 2010

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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	31 March 2010		31 December 2009	
		Group	Bank	Group	Bank
Assets					
Cash and cash equivalents	2	151 870	151 826	168 708	168 651
Due from other banks	3	2 214	2 214	2 214	2 214
Trading securities	6	50 388	47 357	3 094	121
Derivative financial instruments		55	55	-	-
Loans to customers	4	1 400 860	1 583 284	1 434 328	1 605 635
Finance lease receivables	5	91 709	-	101 412	-
Investment securities:					
- available-for-sale	6	136 801	122 638	86 236	72 083
- held-to-maturity	6	148 099	141 527	146 041	143 068
Investments in subsidiaries	6	-	14 884	-	9 384
Intangible assets		539	535	605	600
Tangible fixed assets		52 715	44 527	52 203	45 179
Prepaid income tax		2 464	2 221	2 468	2 221
Deferred income tax assets		6 232	6 044	5 416	5 224
Other assets	7	78 548	7 539	71 073	4 890
Total assets		2 126 517	2 124 651	2 073 798	2 059 270
Liabilities					
Due to other banks and financial institutions	8	249 615	249 617	246 272	237 315
Due to customers	9	1 591 286	1 591 342	1 528 824	1 528 840
Special and lending funds	10	25 971	25 971	31 292	31 292
Debt securities in issue	11	4 210	4 210	4 155	4 155
Current income tax liabilities		39	-	-	-
Deferred income tax liabilities		6 960	3 828	9 071	3 631
Other liabilities	12				
Total liabilities		1 878 081	1 874 968	1 819 614	1 805 233
Equity					
Capital and reserves attributable to equity holders of the parent					
Share capital	13	180 358	180 358	180 358	180 358
Share premium		45 681	45 681	45 681	45 681
Reserve capital		2 611	2 611	2 611	2 611
Statutory reserve		6 667	6 422	6 376	5 981
General reserve to cover possible losses in assets		10 000	10 000	10 000	10 000
Financial assets revaluation reserve		2 047	3 136	(781)	590
Retained earnings		1 072	1 475	9 939	8 816
		248 436	249 683	254 184	254 037
Minority interest	14	-	-	-	-
Total equity		248 436	249 683	254 184	254 037
Total liabilities and equity		2 126 517	2 124 651	2 073 798	2 059 270

The notes on pages 10-30 constitute an integral part of these financial statements

Chief executive Officer



Algirdas Butkus



Chief Financial Officer

Vita Adomaitytė

28 May 2010

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

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

	Notes	31 March 2010		31 March 2009	
		Group	Bank	Group	Bank
Interest and similar income	15	30 321	29 434	37 404	35 855
Interest expense and similar charges	15	(24 778)	(24 684)	(28 614)	(27 601)
Net interest income		5 543	4 750	8 790	8 254
Fee and commission income	16	2 618	2 669	3 068	3 162
Fee and commission expense	16	(957)	(942)	(1 068)	(1 051)
Net fee and commission income		1 661	1 727	2 000	2 111
Allowance for impairment losses		(9 603)	(8 957)	(8 895)	(8 147)
Net gain on operations with securities		1 140	1 140	4 831	207
Net foreign exchange gain		466	466	614	614
Gain on disposal of assets		34	3	(8)	1
Other income		47	120	236	117
Administrative and other operating expenses	17	(8 670)	(7 449)	(9 713)	(8 405)
Operating profit		(9 382)	(8 200)	(2 145)	(5 248)
Dividends from investments in subsidiaries		-	-	-	6 377
Profit before income tax		(9 382)	(8 200)	(2 145)	1 129
Income tax expense		1 257	1 300	-	-
Profit for the year		(8 125)	(6 900)	(2 145)	1 129
Other comprehensive (loss) income					
Gain (loss) from revaluation of financial assets		3 026	3 026	118	118
Deferred income tax on (loss) gain from revaluation of financial assets		(480)	(480)	(59)	(59)
Other comprehensive (loss) income, net of tax		2 546	2 546	59	59
Total comprehensive (loss) income		(5 579)	(4 354)	(2 086)	1 188
Profit is attributable to:					
Equity holders of the Bank		(8 125)	(6 900)	(2 145)	1 129
Minority interest	14	-	-	-	-
Profit for the year		(8 125)	(6 900)	(2 145)	1 129
Basic and diluted earnings per share, net (in LTL per share)	13	(0,05)	(0,04)	(0,01)	0,01

The notes on pages 10 – 30 constitute an integral part of these financial statements

Chief executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

28 May 2010

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

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

	From 01 to 03 month 2010		From 01 to 03 month 2009	
	Group	Bank	Group	Bank
Interest and similar income	30 321	29 434	37 404	35 855
Interest expense and similar charges	(24 778)	(24 684)	(28 614)	(27 601)
Net interest income	5 543	4 750	8 790	8 254
Fee and commission income	2 618	2 669	3 068	3 162
Fee and commission expense	(957)	(942)	(1 068)	(1 051)
Net fee and commission income	1 661	1 727	2 000	2 111
Allowance for impairment losses	(9 874)	(8 957)	(8 895)	(8 147)
Net gain on operations with securities	1 140	1 140	4 831	207
Net foreign exchange gain	466	466	614	614
Gain on disposal of assets	34	3	(8)	1
Other income	318	120	236	117
Administrative and other operating expenses	(8 670)	(7 449)	(9 713)	(8 405)
Operating profit	(9 382)	(8 200)	(2 145)	(5 248)
Dividends from investments in subsidiaries	-	-	-	6 377
Profit before income tax	(9 382)	(8 200)	(2 145)	1 129
Income tax expense	1 257	1 300	-	-
Profit for the period	(8 125)	(6 900)	(2 145)	1 129
Profit is attributable to:				
Equity holders of the Bank	(8 125)	(6 900)	(2 145)	1 129
Minority interest	-	-	-	-
Profit for the period	(8 125)	(6 900)	(2 145)	1 129

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

Notes	31 March 2010		31 March 2009	
	Group	Bank	Group	Bank
Operating activities				
Interest received	32 260	31 540	36 135	34 521
Interest paid	(24 538)	(24 444)	(30 838)	(29 825)
Cash received from previously written-off loans	128	50	31	4
Net cash received from operations in foreign currency	776	776	906	906
Net cash received from operations in securities	391	391	(165)	(165)
Net cash received from service and commission fees	1 661	1 727	2 000	2 111
Salaries and related payments to and on behalf of employees	(4 474)	(3 846)	(5 193)	(4 407)
Other receipts	99	120	236	118
Other payments	(1 365)	(2 543)	(6 386)	(5683)
Net cash flow from operating activities before change in short-term assets and liabilities	4 938	3 771	(3 274)	(2 420)
(Increase) decrease in assets:				
(Increase) in loans to credit and financial institutions	9 130	7 176	8 206	15 982
(Increase) in loans to customers	17 917	3 849	11 912	(8 505)
Decrease in trading securities	(46 940)	(46 872)	128	324
(Increase) decrease in other assets	(7 112)	(2 436)	(4 673)	(1 091)
Change in assets	(27 005)	(38 283)	15 573	6 710
Increase in liabilities				
Increase in liabilities to credit and financial institutions	4 261	13 220	(71 491)	(71 491)
Increase in deposits, special and leanding funds	55 983	56 023	52 015	51 658
Increase in other liabilities	(2 424)	(116)	527	226
Change in liabilities	57 820	69 127	(18 949)	(19 607)
Net cash flow from/(used in) operating activities before tax	35 753	34 615	(6 650)	(15 317)
Income tax paid	-	-	(565)	(565)
Net cash flow from operating activities	35 753	34 615	(7 215)	(15 882)
Investing activities				
Purchase of tangible and intangible fixed assets	(3 279)	(216)	(6 339)	(1 567)
Disposal of tangible and intangible fixed assets	221	210	625	489
Acquisition of available-for-sale securities	(64 501)	(64 501)	(11 083)	(11 083)
Disposal of available-for-sale securities	16 971	16 971	9 013	9 013
Acquisition of held to maturity securities	(8 337)	(4 738)	-	-
Proceeds from redemption of held to maturity securities	6 279	6 279	3 329	3 329
Acquisition of subsidiary	-	(5 500)	-	(1 022)
Dividends received	-	-	-	-
Net cash used in investing activities	(52 646)	(51 495)	(4 455)	(841)
Financing activities				
Increase in share capital	-	-	-	-
Dividends paid	-	-	-	-
Payment to minority shareholders	-	-	(4 967)	-
Debt securities issued	245	245	-	-
Debt securities repurchased and redeemed	(190)	(190)	(1 298)	(1 298)
Net cash flow from financing activities	55	55	(6 265)	(1 298)
Net increase in cash and cash equivalents	(16 838)	(16 825)	(17 935)	(18 021)
Cash and cash equivalents at 1 January	168 708	168 651	142 939	142 927
Cash and cash equivalents at 31 December	151 870	151 826	125 004	124 906

The notes on pages 10 – 30 constitute an integral part of these financial statements

Chief executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

28 May 2010

(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 2008	180 358	45 681	2 611	3 003	58 004	289 657	4 967	294 624
Dividends to minority	-	-	-	-	-	-	(3 923)	(3 923)
Formation of reserve	-	-	-	12 514	(12 514)	-	-	-
Financial assets revaluation reserve	-	-	-	118	-	118	-	118
Recognition of deferred income tax	-	-	-	(59)	-	(59)	-	(59)
Decrease in share capital of minority shareholders in subsidiaries	-	-	-	179	-	179	(1 044)	(865)
Profit for the year	-	-	-	-	(2 145)	(2 145)	-	(2 145)
31 March 2009	180 358	45 681	2 611	15 755	43 345	287 750	-	287 750
Financial assets revaluation reserve	-	-	-	(22)	-	(22)	-	(22)
Recognition of deferred income tax	-	-	-	(138)	-	(138)	-	(138)
Profit for the year	-	-	-	-	(33 406)	(33 406)	-	(33 406)
31 December 2009	180 358	45 681	2 611	15 595	9 939	254 184	-	254 184
Financial assets revaluation reserve	-	-	-	3 026	-	3 026	-	3 026
Recognition of deferred income tax	-	-	-	(480)	-	(480)	-	(480)
Formation of reserve	-	-	-	441	(441)	-	-	-
Other moves	-	-	-	132	(301)	(169)	-	(169)
Profit for the year	-	-	-	-	(8 125)	(8 125)	-	(8 125)
31 March 2010	180 358	45 681	2 611	18 714	1 072	248 436	-	248 436

Chief executive Officer



Algirdas Butkus



Chief Financial Officer

Vita Adomaitytė

28 May 2010

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 and other reserve	Retained earnings	Total
31 December 2008	180 358	45 681	2 611	(680)	3 405	51 506	282 881
Financial assets revaluation reserve	-	-	-	118	-	-	118
Recognition of deferred income tax	-	-	-	(59)	-	-	(59)
Formation of statutory reserve	-	-	-	-	10 000	(10 000)	-
Formation of reserve	-	-	-	-	2 576	(2 576)	-
Profit for the year	-	-	-	-	-	1 129	1 129
31 March 2009	180 358	45 681	2 611	(621)	15 981	40 059	284 069
Financial assets revaluation reserve	-	-	-	1 349	-	-	1 349
Recognition of deferred income tax	-	-	-	(138)	-	-	(138)
Profit for the year	-	-	-	-	-	(31 243)	(31 243)
31 December 2009	180 358	45 681	2 611	590	15 981	8 816	254 037
Formation of reserve	-	-	-	-	441	(441)	-
Financial assets revaluation reserve	-	-	-	3 026	-	-	3 026
Recognition of deferred income tax	-	-	-	(480)	-	-	(480)
Profit for the year	-	-	-	-	-	(6 900)	(6 900)
31 March 2010	180 358	45 681	2 611	3 136	16 422	1 475	249 683

Chief executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

28 May 2010

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

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As of March 31st 2010 the Bank had 474 employees (31 December 2009: 475). As of March 31st 2010 the Group had 530 employees (31 December 2009: 530 employees).

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

The Bank had the following subsidiaries:

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

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.

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

NOTE 1 CREDIT INSTITUTION ACTIVITIES

The bank's Head Office is located in Šiauliai. The bank has 14 branches in Kelmė, Klaipėda, Kuršėnai, Mažeikiai, Palanga, Šilutė, Vilnius, Alytus, Utena, Kaunas, Druskininkai, Panevėžys, Šiauliai, Radviliškis and 38 client service centres.

As of March 31st 2010 the number of the bank's clients included 261 municipal companies and governmental companies, 57 state companies, 48 agricultural companies, 31 economic partnership, 4 501 limited liability public company, 1 534 private companies, 497 non-profit making and public sector companies and 1 024 other organizations as well as 120 743 individuals.

As of March 31st 2010 the bank controlled 5 and December 31st 2009 the bank controlled 3 subsidiaries: "Šiaulių banko lizingas" UAB (financial and operational leasing), "Šiaulių banko investicijų valdymas" UAB (investment management), "Šiaulių banko turto fondas" UAB, "Minera" UAB, "SBTF" UAB (real estate management). The bank owns 100% of "Šiaulių banko lizingas" UAB (acquisition value – 31st March 2010 – LTL 2 000 thou), 100 % of "Šiaulių banko investicijų valdymas" UAB (acquisition value – 31st March 2010 - LTL 4 040 thou), 100 % of "Šiaulių banko turto fondas" UAB (acquisition value – 31st March 2010 -LTL 5 117 thou), 100 % of "Minera" UAB (acquisition value – 31st March 2010 -LTL 4 500 thou), 100 % of "SBTF" UAB (acquisition value – 31st March 2010 - LTL 1 000 thou).

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

NOTE 2 CASH AND CASH EQUIVALENTS

	Group 31 March 2010	Bank 31 March 2010	Group 31 December 2009	Bank 31 December 2009
Cash and other valuables	35 920	35 915	34 669	34 651
Mandatory reserves in national currency	62 885	62 885	58 790	58 790
Correspondent bank accounts	22 560	22 560	18 407	18 407
Banks time deposits	25 562	25 562	19 420	19 381
Correspondent account with central bank	4 904	4 904	37 422	37 422
Total:	151 870	151 826	168 708	168 651

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

NOTE 3 DUE FROM OTHER BANKS

	Group 31 March 2010	Bank 31 March 2010	Group 31 December 2009	Bank 31 December 2009
Due from other banks	2 214	2 214	2 214	2 214
Total:	2 214	2 214	2 214	2 214

(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:	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Cash and balances with central banks	151 870	151 826	168 708	168 651
Loans and advances to banks	2 214	2 214	2 214	2 214
Loans and advances to customers:	1 400 860	1 583 284	1 434 328	1 605 635
Loans and advances to financial institutions	-	113 267	9 130	120 560
Loans to individuals (Retail)	228 279	215 334	235 765	222 509
Loans to business customers	1 172 581	1 254 683	1 189 433	1 262 566
Finance lease receivables	94 412	-	101 412	-
Trading assets:				
- Debt securities	50 259	47 228	2 973	-
- Equity securities	129	129	121	121
Derivative financial instruments	55	55	-	-
Securities available for sale				
- Debt securities	121 808	121 808	71 282	71 282
- Equity securities	14 993	830	14 954	801
Investment securities held to maturity				
- Debt securities	148 099	141 527	146 041	143 068
Other financial assets	38 270	1 059	26 775	1 215
Credit risk exposures relating to off-balance sheet items are as follows:				
Financial guarantees	44 327	44 301	50 307	50 240
Letters of credit	2 948	2 948	2 904	2 904
Loan commitments and other credit related liabilities	93 001	93 060	72 733	70 180
31 March/December	2 163 245	2 190 269	2 094 752	2 116 311

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

Loans and advances are summarised as follows:

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Loans to business customers	1 205 140	1 400 052	1 230 521	1 414 627
Loans to individuals	236 562	221 906	246 167	231 290
Gross	1 441 702	1 621 958	1 476 688	1 645 917
Less: allowance for impairment	40 842	38 674	42 360	40 282
Net	1 400 860	1 583 284	1 434 328	1 605 635

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Neither past due not impaired	1 180 779	1 366 297	1 245 472	1 419 699
Past due but not impaired	124 665	123 217	86 896	84 705
Impaired	136 258	132 444	144 320	141 513
Gross	1 441 702	1 621 958	1 476 688	1 645 917
Less: allowance for impairment	40 842	38 674	42 360	40 282
Net	1 400 860	1 583 284	1 434 328	1 605 635

Loans and advances neither past due not impaired are loans which are not impaired and payments of which are not past due. Past due but not impaired loans are loans for which principal or interest is past due but no allowance for impairment is recognized.

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

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

The list of loss events:

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

Loans and advances past due but not impaired

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Past due up to 30 days	82 034	80 731	59 529	58 225
Past due 31-60 days	13 562	13 484	7 886	7 250
Past due 61-90 days	13 759	13 732	3 651	3 412
Past due more than 90 days	15 310	15 270	15 830	15 818
Total	124 665	123 217	86 896	84 705
Fair value of collateral	184 896	184 885	139 635	139 635

Loans and advances impaired

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Impaired loans	136 258	132 444	144 320	141 513
Fair value of collateral	103 967	103 152	114 899	112 827

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

NOTE 5 FINANCE LEASE RECEIVABLES

"Šiaulių banko lizingas" UAB was established on 16th August 1999. The main business of the company is financial lease. Leasing activities mainly depend on the attracted financial resources. The funds allocated to provide funding to leasing operations are formed from two following sources: own funds and bank's loans. The leasing company pays interest to the bank for the borrowed funds.

Finance lease receivables are summarised as follows:

	31 March 2010	31 December 2009
Business customers	66 910	71 125
Individuals	27 502	32 813
Gross	94 412	103 938

	31 March 2010	31 December 2009
Neither past due not impaired	46 877	56 508
Past due but not impaired	40 590	42 100
Impaired	6 945	5 330
Gross	94 412	103 938
Less: allowance for impairment	(2 703)	(2 526)
Net	91 709	101 412

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

	31 March 2010			31 December 2009		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Finance lease receivables by sector:						
- transport vehicles	1 570	10 580	12 150	1 634	12 581	14 215
- residential real estate	524	21 298	21 822	909	21 480	22 389
- airplanes	-	10 301	10 301	-	10 675	10 675
- production equipment	88	12 842	12 930	123	13 255	13 378
- other equipment	2 161	6 901	9 062	9 492	7 751	10 243
- other assets	23 159	4 988	28 147	27 655	5 383	33 038
Total:	27 502	66 910	94 412	32 813	71 125	103 938

NOTE 6 SECURITIES

Trading securities

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Debt securities:				
Private enterprise bonds of the Republic of Lithuania		-	2 973	-
Government bonds of the Republic of Lithuania	28 459	28 459	-	-
Government bonds of foreign states	12 852	12 852	-	-
Private enterprise bonds of foreign states	5 917	5 917	-	-
Equity securities:				
Listed	-	-	-	-
Unlisted	39	39	38	38
Units of funds	90	90	83	83
Total:	50 388	47 357	3 094	121

BANK'S TRADING SECURITIES AS OF MARCH 31st 2010 AND DECEMBER 31st 2009:

Rating	Treasury bills		Corporate debt securities		Corporate equity securities		Investment fund units	
	2010	2009	2010	2009	2010	2009	2010	2009
FROM AA- TO AAA	-	-	3 469	-	-	-	-	-
FROM A- TO A+	12 852	-	-	-	-	-	-	-
FROM BBB- TO BBB+	28 459	-	2 448	-	-	-	-	-
FROM BB- TO BB+	-	-	-	-	-	-	-	-
BELOW BB-	-	-	-	-	-	-	-	-
NO RATING	-	-	-	-	39	38	90	83
TOTAL:	41 311	-	5 917	-	39	38	90	83

GROUP'S TRADING SECURITIES AS OF MARCH 31st 2010 AND DECEMBER 31st 2009:

Rating	Treasury bills		Corporate debt securities		Corporate equity securities		Investment fund units	
	2010	2009	2010	2009	2010	2009	2010	2009
FROM AA- TO AAA	-	-	3 469	-	-	-	-	-
FROM A- TO A+	12 852	-	-	-	-	-	-	-
FROM BBB- TO BBB+	28 459	-	2 448	-	-	-	-	-
FROM BB- TO BB+	-	-	-	-	-	-	-	-
BELOW BB-	-	-	-	-	-	-	-	-
NO RATING	-	-	3 031	2 973	39	38	90	83
TOTAL:	41 311	-	8 948	2 973	39	38	90	83

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

Investment securities	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Bonds:				
Government bonds of the Republic of Lithuania	85 501	85 501	29 545	29 545
Private enterprise bonds the Republic of Lithuania	32 860	32 860	41 737	41 737
Government bonds of foreign states	3 447	3 447	-	-
Securities available-for-sale:				
Unlisted equity securities	14 678	515	14 668	515
Units of funds	315	315	286	286
Total :	136 801	122 638	86 236	72 083

Securities held-to-maturity

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Bonds of non-residents	6 437	6 437	6 447	6 447
Government bonds of foreign states	24 343	24 343	21 779	21 779
Government bonds of the Republic of Lithuania	110 747	110 747	114 842	114 842
Private enterprise bonds the Republic of Lithuania	6 572	-	2 973	-
Total investment securities:	148 099	141 527	146 041	143 068

Bank: Rating	Treasury bills		Municipality debt securities		Corporate debt securities	
	2010	2009	2010	2009	2010	2009
FROM AA- TO AAA	-	-	-	-	-	-
FROM A- TO A+	10 607	10 653	-	-	-	-
FROM BBB- TO BBB+	123 754	125 247	729	721	4 996	5 027
FROM BB- TO BB+	-	-	-	-	1 441	1 420
BELOW BB-	-	-	-	-	-	-
NO RATING	-	-	-	-	-	-
TOTAL:	134 361	135 900	729	721	6 437	6 447

Group Rating	Treasury bills		Municipality debt securities		Corporate debt securities	
	2010	2009	2010	2009	2010	2009
FROM AA- TO AAA	-	-	-	-	-	-
FROM A- TO A+	10 607	10 653	-	-	-	-
FROM BBB- TO BBB+	123 754	125 247	729	721	4 996	5 027
FROM BB- TO BB+	-	-	-	-	1 441	1 420
BELOW BB-	-	-	-	-	-	-
NO RATING	-	-	-	-	6 572	2 973
TOTAL:	134 361	135 900	729	721	13 009	9 420

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

Investments in subsidiaries			31		31	
			March		December	
Bank	Share in equity	Acquisition cost	Carrying value	Share in equity	Acquisition cost	Carrying value
Investments in consolidated subsidiaries:						
ŠB Lizingas UAB	100,0%	5 000	2 000	100,0%	5 000	2 000
ŠB Investicijų Valdymas UAB	100,0%	4 040	3 113	100,0%	4 040	3 113
ŠB Turto Fondas UAB	100,0%	5 117	4 271	100,0%	5 117	4 271
Minera UAB	100,0%	4 500	4 500	100,0%	-	-
SBTF UAB	100,0%	1 000	1 000	100,0%	-	-
Total :		19 657	14 884		14 157	9 384

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

NOTE 7 OTHER ASSETS

	31		31	
	March		December	
	Group	Bank	Group	Bank
Assets held for sale and real estate projects under development	27 334	-	23 295	-
Amounts receivable	38 270	1 059	26 775	1 215
Deferred expenses	2 475	2 270	2 652	2 487
Prepayments	3 344	205	3 579	412
Foreclosed assets	2 375	240	2 380	24
Other	4 750	3 765	842	535
Total:	78 548	7 539	59 523	4 890

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31		31	
	March		December	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	18 968	18 970	6 145	6 187
Time deposits	26 887	26 887	23 233	23 233
Total correspondent accounts and deposits of other banks and financial institutions	45 855	45 857	29 377	29 420
Loans received:				
Loans from other banks	96 047	96 047	107 447	98 447
Loans from international organisations	54 092	54 092	57 293	57 293
Loans from financial institutions	53 621	53 621	52 155	52 155
Total loans received	203 760	203 760	216 895	207 895
Total:	249 615	249 617	246 272	237 315

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

NOTE 9 DUE TO CUSTOMERS

	31 March 2010		31 December 2009	
	Group	Bankas	Group	Bankas
Demand deposits:				
National government institutions	4 177	4 177	2 361	2 361
Local government institutions	60 872	60 872	26 920	26 920
Governmental and municipal companies	26 219	26 219	11 045	11 045
Corporate entities	103 295	103 351	96 898	96 914
Non-profit organisations	6 891	6 891	7 153	7 153
Individuals	99 210	99 210	97 428	97 428
Unallocated amounts due to customers	6 983	6 983	5 829	5 829
Total demand deposits:	307 647	307 703	247 634	247 650
Time deposits:				
National government institutions	7 194	7 194	4 733	4 733
Local government institutions	8 835	8 835	8 531	8 531
Governmental and municipality companies	142 416	142 416	145 644	145 644
Corporate entities	146 312	146 312	157 421	157 421
Non-profit organisations	7 219	7 219	7 286	7 286
Individuals	971 663	971 663	957 575	957 575
Total time deposits:	1 283 639	1 283 639	1 281 190	1 281 190
Total:	1 591 286	1 591 342	1 528 824	1 528 840

NOTE 10 SPECIAL AND LENDING FUNDS

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Special funds	848	848	4 612	4 612
Lending funds	25 123	25 123	26 680	26 680
Total:	25 971	25 971	31 292	31 292

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

NOTE 11 DEBT SECURITIES IN ISSUE

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
370 days bonds denominated in EUR with discount rate of 7,8 per cent, maturity 15-07-2010	472	472	464	464
370 days bonds denominated in EUR with discount rate of 5,0 per cent, maturity 02-12-2010	3 738	3 738	3 691	3 691
Total :	4 210	4 210	4 155	4 155

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

NOTE 12 OTHER LIABILITIES

	31		31	
	Group	Bank	Group	Bank
Accrued charges	3 711	3 193	3 305	2 903
Deferred income	1 175	435	1 340	455
Advances received from the buyers of assets	1 404	-	1 972	-
Amounts payable for finance lease agreements	377	-	2 110	-
Payable dividends	69	69	69	69
Other	224	131	275	204
Total:	6 960	3 828	9 071	3 631

NOTE 13 SHARE CAPITAL

As of March 31st 2009, the Bank's share capital comprised 180 357 533 ordinary registered shares with par value of LTL 1 each.

Sixteen shareholders of Šiaulių bankas - the European Bank for Reconstruction and Development, Trade-house Aiva UAB, Mintaka UAB, Company Group Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė and Donatas Savickas – comprise the group, having a consent from the Bank of Lithuania to acquire the qualified share of the bank's authorized capital and voting rights, reaching or exceeding 50 per cent. On 31 March 2010 this group had 41.35 per cent of the bank's authorized capital and voting rights.

As of 31 March 2010, the Bank had 3 511 shareholder (31 December 2009- 3 525).

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

General reserve to cover possible losses in assets

This reserve is formed from the Bank's profit or additional contributions of shareholders.

The purpose of reserve is to cover losses incurred because of the risk related to the major activity of the Bank.

Earnings per share

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

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

Bank	31 March 2010	31 March 2009
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	(6 900)	1 129
Weighted average number of issued shares (thousand of shares)	180 358	180 358
Earnings per share (in LTL per share)	(0,04)	0,01

Group	31 March 2010	31 March 2009
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	(8 125)	(2 145)
Weighted average number of issued shares (thousand of shares)	180 358	180 358
Earnings per share (in LTL per share)	(0,05)	(0,01)

NOTE 14 MINORITY INTEREST

	31 March 2010	31 December 2009
	Group	Group
Balance at 1 January	-	4 967
Profit for the accounting period	-	-
Effect of dividends paid	-	(3 923)
Increase (decrease) in minority interest	-	(1 044)
Balance at 31 March/December	-	-

NOTE 15 NET INTEREST INCOME

	31 March 2010		31 March 2009	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	285	1 934	1 476	3 419
on loans to customers	23 952	24 122	30 122	30 502
on debt securities	3 536	3 378	2 064	1 934
on finance leases	2 548	-	3 742	-
Total interest income	30 321	29 434	37 404	35 855
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(1 597)	(1 503)	(5 668)	(4 655)
on customer deposits and other repayable funds	(21 367)	(21 367)	(21 074)	(21 074)
on debt securities issued	(58)	(58)	(424)	(424)
compulsory insurance of deposits	(1 756)	(1 756)	(1 448)	(1 448)
Total interest expense	(24 778)	(24 684)	(28 614)	(27 601)
Net interest income	5 543	4 750	8 790	8 254

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

NOTE 16 NET FEE AND COMMISSION INCOME

	31		31	
	March		March	
	2010		2009	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	1 532	1 562	1 503	1 563
for payment card services	366	367	510	511
for base currency exchange	268	268	439	439
for operations with securities	33	33	29	29
other fee and commission income	419	439	587	620
Total fee and commission income	2 618	2 669	3 068	3 162
Fee and commission expense:				
for payment card services	(681)	(681)	(770)	(770)
for money transfer operations	(255)	(240)	(277)	(260)
for operations with securities	(17)	(17)	(16)	(16)
for base currency exchange	(1)	(1)	(1)	(1)
other fee and commission expenses	(3)	(3)	(4)	(4)
Total fee and commission expense	(957)	(942)	(1 068)	(1 051)
Net fee and commission income	1 661	1 727	2 000	2 111

NOTE 17 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	31		31	
	March		March	
	2010		2009	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(4 787)	(4 159)	(5 171)	(4 466)
Rent and maintenance of premises	(984)	(967)	(1 111)	(1 140)
Office equipment maintenance	(228)	(224)	(240)	(235)
Depreciation of fixed tangible assets	(1 036)	(779)	(1 045)	(852)
Amortisation of intangible assets	(83)	(81)	(115)	(113)
Transportation, post and communications expenses	(494)	(425)	(564)	(476)
Real estate tax and other taxes	(154)	(60)	(410)	(392)
Advertising and marketing expenses	(102)	(99)	(120)	(106)
Training and business trip expenses	(13)	(13)	(18)	(15)
Charity	(3)	-	(42)	(40)
Service organisation expenses	(226)	(226)	(205)	(200)
Other operating expenses	(560)	(416)	(672)	(370)
Total	(8 670)	(7 449)	(9 713)	(8 405)

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, the close family members of these related parties, legal entities that are controlled, jointly controlled or can be significantly influenced by, or for which significant voting power in such entities resides with the above mentioned related parties and subsidiary companies of the Bank.

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

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

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

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

	Balances of deposits		Balances of loans	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009
Members of the Council and the Board	680	589	6 285	5 987
Other related parties (excluding subsidiaries of the Bank)	8 972	9 714	256 452	264 498

Transactions with EBRD:

The balance of the Bank's loans received from the EBRD . As of March 31st 2010 the total value of the EBRD loan was LTL 54 092 thou (in 2009 – LTL 57 293 thou). The interest related with the loan as well as other expenses comprised LTL 618 thou on 31 March 2010 (LTL 2 726 thou on 31 December 2008).

Balances of transactions with the subsidiaries are given below:

	Balances of deposits		Balances of loans	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009
Non-financial institutions	56	16	99 287	78 955
Financial institutions	2	43	113 267	111 430

Transactions with subsidiaries:

Assets	31 March 2010	31 December 2009
Demand deposits	-	-
Loans	212 554	190 385
Debt securities	-	-
Equity securities	-	-
Dividends receivable	-	-
Other assets	24	28

Liabilities and shareholders' equity

Demand deposits	58	59
Loans	-	-
Debt securities	-	-
Other liabilities	-	-
Bank's investment	14 884	9 384

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

Income and expenses arising from transactions with subsidiaries:

	31 March 2010	20 March 2009
Income		
Interest	2 714	3 083
Commission income	62	100
Income from foreign exchange operations	1	-
Dividends	-	6 377
Other income	50	56
Expenses		
Interest	-	-
Commission charges	-	-
Operating expenses	2	5

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.

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

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

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

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

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

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

The risk-weighted assets are measured by means of nine risk weights classified according to the nature of each assets and counterpart, taking into account collaterals and guarantees eligible for risk mitigation. A similar treatment with some adjustments is adopted for the off-balance sheet exposures. Capital requirements for operational risk are calculated using the Basic Indicator Approach. The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group as of March 31st 2010 and of December 31st 2009. During those two years, the Group complied with capital requirements to which it is subject.

	31 March 2010		31 December 2009	
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	180 358	180 358	180 358	180 358
Share premium	45 681	45 681	45 681	45 681
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	9 197	8 375	45 490	38 930
Not audited result	(8 125)	(6 900)	(35 551)	(30 114)
Others reserve	16 949	16 422	16 376	15 981

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Less: Financial assets revaluation reserve	(781)	-	(781)	-
Less: Intangible assets	(537)	(535)	(605)	(600)
Total Tier 1 capital	246 134	246 012	253 579	252 847

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

Tier 2 capital		21		
85 % financial assets revaluation reserve	1 5			
Total Tier 2 capital	1 5			
Less Investments in other credit or financial institutions	-	(1 782)	-	(1 782)
Total capital	247 634	246 896	253 579	251 567
Capital requirement:				
Standardised approach credit risk	125 991	127 317	122 057	123 517
Traded debt instruments	1 175	911	1 034	775
Equities	15	15	1 809	111
Foreign exchange risk exposure	16 158	16 901	12 145	12 005
Operational risk by Basic indicator's method	8 930	8 354	8 930	8 354
Total capital requirement:	152 269	153 499	145 975	144 762
Capital ratio, %	13,01	12,87	13,90	13,90

NOTE 20 LIQUIDITY

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

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

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

As of March 31st 2010 the above Group's ratio was 39,21 per cent (31-12-2009 -34,61 per cent), and the Bank's – 39,68 per cent (31-12-2009 – 38,23 per cent.).

The tables below disclose the assets and liabilities as of December 31st 2009 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.

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

The structure of the Group's liabilities by maturity as of March 31st 2010 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	146 649	124 405	105 991	166 974	375 257	610 217	493 485	103 539	2 126 517
Total liabilities and shareholders' equity	311 722	286 508	368 802	296 266	344 352	130 111	138 641	250 115	2 126 517
Net liquidity gap	(165 073)	(162 103)	(262 811)	(129 292)	30 905	480 106	354 844	(146 576)	-

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

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

The structure of the Bank's liabilities by maturity as of March 31st 2010 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	146 270	123 695	140 629	216 659	401 326	573 114	454 191	68 767	2 124 651
Total liabilities and shareholders' equity	310 386	285 572	368 588	296 083	344 056	130 005	138 602	251 359	2 124 651
Net liquidity gap	(164 116)	(161 877)	(227 959)	(79 424)	57 270	443 109	315 589	(182 592)	-

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

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

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

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Non-derivative cash flow

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

Group
31 March 2010

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	7 125	9 007	60 698	153 311	38 067	268 208
Due to customers	-	586 148	362 041	578 714	72 182	683	1 599 768
Debt securities in issue	-	-	-	4 414	-	-	4 414
Special and lending fund	-	2 337	134	2 582	20 556	1 280	26 889
Total liabilities (contractual maturity dates)	-	595 610	371 182	646 408	246 049	40 030	1 899 279

Group
31 December 2009

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	39 352	23 105	38 071	123 894	42 786	267 208
Due to customers	-	514 321	394 228	601 480	37 852	698	1 548 579
Debt securities in issue	-	-	-	4 437	-	-	4 437
Special and lending fund	-	5 599	155	3 155	21 561	1 935	32 405
Total liabilities (contractual maturity dates)	-	559 272	417 488	647 143	183 307	45 419	1 852 629

Bank
31 March 2010

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	7 127	9 007	60 698	153 311	38 067	268 210
Due to customers	-	586 204	362 041	578 714	72 182	683	1 599 824
Debt securities in issue	-	-	-	4 414	-	-	4 414
Special and lending fund	-	2 337	134	2 582	20 556	1 280	26 889
Total liabilities (contractual maturity dates)	-	595 668	371 182	646 408	246 049	40 030	1 899 337

Bank
31 December 2009

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

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.

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

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Foreign exchange risk

The foreign exchange risk management is regulated by the Procedures for Foreign Exchange Risk Management. They include the list of types of sale and purchase transactions executed by the Group. Also they establish principles which help the Group to minimize the exposure to foreign exchange risk. The Group does not implement any operations which could cause open currency positions expecting to earn due to the currency rate shift. The Bank's Board approves and reviews on a regular basis the maximum limits for open currency positions for the Bank's branches, subsidiaries and the Bank itself. The established limits are lower than those allowed by the Bank of Lithuania. The Bank's Treasury Department is responsible for the Group's compliance with the Procedures for Foreign Exchange Risk Management.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. The Bank also calculates Total open position (TOP), which is the higher of the separately added short and long positions. As of March 31st 2010 the TOP to capital ratio was: Group's – 1,43 % (31-12-2009: 0,30 %), Bank's – 1,43 % (31-12-2009: 0,31 %).

Sensitivity of foreign exchange risk

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

Currency	Annual reasonable shift, 2010	Annual reasonable shift, 2009
USD	8%	8%
GBP	6%	6%
DKK	1%	1%
SEK	5%	5%
LVL	1%	1%
Other currencies	6%	6%

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

Group	31 March 2010		31 December 2009	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD	203	203	71	71
GBP	13	13	16	16
DKK	1	1	1	1
SEK	9	9	5	5
LVL	1	1	1	1
Other currencies	25	25	11	11
Total :	252	252	105	105

Bank	31 March 2010		31 December 2009	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD	203	203	57	57
GBP	13	13	16	16
DKK	1	1	1	1
SEK	9	9	5	5
LVL	1	1	1	1
Other currencies	25	25	11	11

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Total :	252	252	91	91
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(All amounts are in LTL thousand, unless otherwise stated)

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The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 252 thousand in 2010 (2009: LTL 91 thousand) and the Group's annual profit and makes LTL 252 thousand in 2010 (2009: LTL 105 thousand) higher/lower impact on profit.

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

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	55 875	1 589	57 464	854 600	1 214 453	2 126 517
Liabilities and shareholder's equity	46 696	598	47 294	656 415	1 422 808	2 126 517
Net balance sheet position	9 179	991	10 170	198 185	(208 355)	-
Currency swaps	(6 639)	-	(6 639)	256	6 438	55
Net open position	2 540	991	3 531	198 441	(201 917)	55

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

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

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

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	55 875	1 589	57 464	863 877	1 203 310	2 124 651
Liabilities and shareholder's equity	46 696	598	47 294	656 415	1 420 942	2 124 651
Net balance sheet position	9 179	991	10 170	207 462	(217 632)	-
Currency swaps	(6 639)	-	(6 639)	256	6 438	55
Net open position	2 540	991	3 531	207 718	(211 194)	55

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

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

Net open position	(712)	762	50	149 281	(149 331)	-
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(All amounts are in LTL thousand, unless otherwise stated)

Interest rate risk

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

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

Sensitivity of interest rate risk

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

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	315 310	453 053	514 125	187 034	315 343	341 652	2 126 517
Total liabilities and shareholder's equity	375 035	398 578	371 038	326 166	74 063	581 637	2 126 517
Net interest sensitivity gap at 31 March 2010	(59 725)	54 475	143 087	(139 132)	241 280	(239 985)	-

**Higher/lower impact on
profit from balance sheet
assets and liabilities**

	(572)	454	894	(348)	-	-	428
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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	286 605	472 954	614 231	132 420	228 567	339 021	2 073 798
Total liabilities and shareholder's equity	384 640	504 619	329 762	283 954	37 543	533 280	2 073 798
Net interest sensitivity gap at 31 December 2009	(98 035)	(31 665)	284 469	(151 534)	191 024	(194 259)	-

**Higher/lower impact on
profit from balance sheet
assets and liabilities**

	(940)	(264)	1 778	(379)	-	-	196
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(All amounts are in LTL thousand, unless otherwise stated)

Bank

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	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	323 130	478 046	519 501	241 340	307 148	255 486	2 124 651
Total liabilities and shareholder's equity	375 035	398 578	371 038	326 166	74 063	579 771	2 124 651
Net interest sensitivity gap at 31 March 2010	(51 905)	79 468	148 463	(84 826)	233 085	(324 285)	(51 905)

**Higher/lower impact on
profit from balance sheet
assets and liabilities**

	(497)	662	928	(212)	-	-	881
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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	354 972	450 390	607 277	176 854	215 928	253 849	2 059 270
Total liabilities and shareholder's equity	384 640	495 619	329 762	283 954	37 543	527 752	2 059 270
Net interest sensitivity gap at 31 December 2009	(29 668)	(45 229)	277 515	(107 100)	178 385	(273 903)	-

**Higher/lower impact on
profit from balance sheet
assets and liabilities**

	(284)	(377)	1 734	(268)	-	-	805
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Operational risk

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

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

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

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

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

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

presented on a timely basis; to ensure that the bank's activities comply with laws, legal acts of the Bank of Lithuania and other legal acts, the bank's strategy and internal policies.

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

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

In order to safeguard that the Bank continues as a going concern the Bank has established procedures and actions to be taken in the event of unforeseen circumstances and emergencies in order to make sure that operational risk is mitigated and avoided and the loss of assets is prevented in case day-to-day activities of the Bank are disrupted.

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

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

Stress tests

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

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 31 March 2010 and in the income statement for the year then ended:

	Banking	Investment Leasing management	Real estate development	Elimina tions	Total Group
Internal	2 714	(1 649)	(535)	(530)	-
External	2 036	3 001	287	219	5 543
Net interest income	4 750	1 352	(248)	(311)	5 543
Internal	2 776	(1 711)	(535)	(530)	-
External	3 701	2 987	293	223	7 204
Net interest, fee and commissions income	6 477	1 276	(242)	(307)	7 204
Provision expenses	(8 957)	(685)	2	37	(9 603)
Internal	2	(40)	(6)	(7)	51
External	(6 591)	(475)	(124)	(361)	(7 551)
Operating expenses	(6 589)	(515)	(130)	(368)	(7 551)
Amortisation charges	(81)	(1)	-	(1)	(83)
Depreciation charges	(779)	(227)	(3)	(27)	(1 036)
Internal	51	(1)	3 507	(61)	(3 496)
External	1 678	204	(268)	73	1 687
Net other income	1 729	203	3 239	12	(2 496)
Profit before tax	(8 200)	51	2 866	(654)	(3 445)
Income tax	1 300	(43)	-	-	1 257
Profit per segment after tax	(6 900)	8	2 866	(654)	(8 125)
Minority interest	-	-	-	-	-
Profit for the year attributable to equity holders of the Bank	(6 900)	8	2 866	(654)	(8 125)

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Total segment assets	2 124 651	118 215	51 739	63 453	(231 541)	2 126 517
Total segment liabilities						
Net segment assets (shareholders' equity)	1 874 968	116 032	45 732	58 006	(216 657)	1 878 081

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

Below, there is a summary of major indicators for the main business: 29 as of December 31st 2009 and in the income statement for the year then ended.

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total Group
Internal	3 083	(1 943)	(680)	(460)	-	-
External	5 171	3 212	160	247	-	8 790
Net interest income	8 254	1 269	(520)	(213)	-	8 790
Internal	3 183	(2 043)	(680)	(460)	-	-
External	7 182	3 197	164	247	-	10 790
Net interest, fee and commissions income	10 365	1 154	(516)	(213)	-	10 790
Provision expenses	(8 147)	(672)	(76)	-	-	(8 895)
Internal	7	(51)	(6)	(6)	56	-
External	(7 447)	(510)	(179)	(417)	-	(8 553)
Operating expenses	(7 440)	(561)	(185)	(423)	56	(8 553)
Amortisation charges	(113)	(1)	-	(1)	-	(115)
Depreciation charges	(852)	(173)	(4)	(16)	-	(1 045)
Internal	6 433	-	-	-	(6 433)	-
External	883	160	2 349	2 281	-	5 673
Net other income	7 316	160	2 349	2 281	(6 433)	5 673
Profit before tax	1 129	(93)	1 568	1 628	(6 377)	(2 145)
Income tax	-	-	-	-	-	-
Profit per segment after tax	1 129	(93)	1 568	1 628	(6 377)	(2 145)
Minority interest	-	-	-	-	-	-
Profit for the year attributable to equity holders of the Bank	1 129	(93)	1 568	1 628	(6 377)	(2 145)
Total segment assets	2 027 340	152 888	47 783	45 814	(224 061)	2 049 764
Total segment liabilities	1 743 271	151 789	45 062	42 796	(220 904)	1 762 014
Net segment assets (shareholders' equity)	284 069	1 099	2 721	3 018	(3 157)	287 750