

CONFIRMATION FROM THE RESPONSIBLE PERSONS

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

Chief Executive Officer



Algirdas Butkus

Chief financial officer



Vita Adomaitytė

16-11-2010

Financial statement of Šiaulių Bankas AB

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



FINANCIAL STATEMENT

30 SEPTEMBER 2010

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Financial statement of Šiaulių Bankas AB

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

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Financial statement of Šiaulių Bankas AB

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

THE GROUP'S AND BANK'S BALANCE SHEET

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

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

Chief Executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

16 November 2010

Financial statement of Šiaulių Bankas AB

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

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

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

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

Chief Executive Officer



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

16 November 2010

Financial statement of Šiaulių Bankas AB

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

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

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

Financial statement of Šiaulių Bankas AB

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

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

Financial statement of Šiaulių Bankas AB

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

THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

Financial statement of Šiaulių Bankas AB

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

Financial statement of Šiaulių Bankas AB

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

GENERAL INFORMATION

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

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

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

The Bank had the following subsidiaries:

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

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

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

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

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

Financial risk management

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

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

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

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

Financial statement of Šiaulių Bankas AB

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

NOTE 1 CREDIT INSTITUTION ACTIVITIES

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

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

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

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

NOTE 2 CASH AND CASH EQUIVALENTS

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

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

NOTE 3 DUE FROM OTHER BANKS

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

Financial statement of Šiaulių Bankas AB

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

NOTE 4 LOANS TO CUSTOMERS

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

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

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

Financial statement of Šiaulių Bankas AB

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

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

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

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

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

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

The list of loss events:

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

Loans and advances past due but not impaired

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

Financial statement of Šiaulių Bankas AB

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

Loans and advances impaired

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

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

NOTE 5 FINANCE LEASE RECEIVABLES

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

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

Finance lease receivables are summarized as follows:

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

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

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

Financial statement of Šiaulių Bankas AB

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

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

NOTE 6 SECURITIES

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

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

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

Financial statement of Šiaulių Bankas AB

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

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

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

Investment securities

Securities available-for-sale:

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

Securities held-to-maturity

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

Financial statement of Šiaulių Bankas AB

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

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

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

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

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

Financial statement of Šiaulių Bankas AB

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

Investments in subsidiaries

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

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

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

NOTE 7 OTHER ASSETS

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

Financial statement of Šiaulių Bankas AB

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

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

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

NOTE 9 DUE TO CUSTOMERS

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

Financial statement of Šiaulių Bankas AB

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

NOTE 10 SPECIAL AND LENDING FUNDS

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

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

NOTE 11 DEBT SECURITIES IN ISSUE

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

NOTE 12 OTHER LIABILITIES

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

NOTE 13 SHARE CAPITAL

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

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

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

Financial statement of Šiaulių Bankas AB

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

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

Share premium

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

Reserve capital

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

Statutory reserve

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

Dividends

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

General reserve to cover possible losses in assets

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

Earnings per share

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

Bank

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

Financial statement of Šiaulių Bankas AB

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

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

NOTE 14 NET INTEREST INCOME

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

NOTE 15 NET FEE AND COMMISSION INCOME

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

Financial statement of Šiaulių Bankas AB

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

NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

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

NOTE 17 RELATED-PARTY TRANSACTIONS

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

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

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

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

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

Transactions with EBRD:

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

Financial statement of Šiaulių Bankas AB

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

Balances of transactions with the subsidiaries are given below:

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

Transactions with subsidiaries:

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

NOTE 18 CAPITAL MANAGEMENT

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

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

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

Financial statement of Šiaulių Bankas AB

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

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

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

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

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

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

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

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

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

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

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

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NOTE 19 LIQUIDITY

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

The liquidity risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

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Non-derivative cash flow

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

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

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

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

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NOTE 20 MARKET RISK

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

Foreign exchange risk

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

Sensitivity of foreign exchange risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest rate risk

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

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

Sensitivity of interest rate risk

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

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Group 30-09-2010

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

Group 31-12-2009

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

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Bank 30-09-2010

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

Bank 31-12-2009

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

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Operational risk

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

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

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

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

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

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

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

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

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

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

Stress tests

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

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21 NOTE SEGMENT INFORMATION

Business segments

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

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

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

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