

**CONFIRMATION FROM THE RESPONSIBLE PERSONS**

We, Chief Executive Officer of Šiaulių bankas AB Audrius Žiugžda and Chief Financial Officer Vita Adomaitytė, confirm that as far as we know, financial statements for 12 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



Audrius Žiugžda

Chief Financial Officer



Vita Adomaitytė

28-02-2011



## FINANCIAL STATEMENT

31 DECEMBER 2010

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## **FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB**

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

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# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	31-12-2010		31-12-2009	
		Group	Bank	Group	Bank
<b>ASSETS</b>					
Cash and cash equivalents	2	208 400	208 397	168 708	168 651
Due from other banks	3	4 147	4 147	2 214	2 214
Trading securities	6	81 326	78 406	3 094	121
Loans to customers	4	1 438 387	1 657 609	1 434 328	1 605 635
Finance lease receivables	5	103 988	-	101 412	-
Investment securities:					
- available-for-sale	6	103 598	89 375	86 236	72 083
- held-to-maturity	6	214 055	207 635	146 041	143 068
Investments in subsidiaries	6	0	16 889	0	9 384
Intangible assets		608	606	605	600
Tangible fixed assets		67 156	43 699	52 203	45 179
Prepaid income tax		1 615	1 598	2 468	2 221
Deferred income tax assets		10 407	10 177	5 416	5 224
Other assets	7	88 472	16 116	71 073	4 890
Assets related with subsidiaries to sale		12 455	-	-	-
<b>Total assets</b>		<b>2 322 159</b>	<b>2 334 654</b>	<b>2 073 798</b>	<b>2 059 270</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions	8	369 067	369 091	246 272	237 315
Due to customers	9	1 672 299	1 672 394	1 528 824	1 528 840
Special and lending funds	10	28 011	28 011	31 292	31 292
Debt securities in issue	11	5 291	5 291	4 155	4 155
Liabilities related with subsidiaries to sale		882	-	-	-
Other liabilities	12	7 883	3 720	9 071	3 631
<b>Total liabilities</b>		<b>2 083 433</b>	<b>2 078 507</b>	<b>1 819 614</b>	<b>1 805 233</b>
<b>EQUITY</b>					
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)	1 369	(781)	590
Retained earnings		(19 614)	(15 774)	9 939	8 816
<b>Total equity</b>		<b>251 181</b>	<b>256 147</b>	<b>254 184</b>	<b>254 037</b>
<b>Total liabilities and equity</b>		<b>2 334 614</b>	<b>2 334 654</b>	<b>2 073 798</b>	<b>2 059 270</b>

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

Chief executive Officer



Audrius Žiugžda

Chief Financial Officer



Vita Adomaitytė

28 February 2011

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

	Notes	31-12-2010		31-12-2009	
		Group	Bank	Group	Bank
Continuing operations					
Interest and similar income	14	110 429	107 379	142 800	140 474
Interest expense and similar charges	14	(78 634)	(78 540)	(113 601)	(112 878)
<b>Net interest income</b>		<b>31 795</b>	<b>28 839</b>	<b>29 199</b>	<b>27 596</b>
Fee and commission income	15	12 478	12 325	12 620	12 935
Fee and commission expense	15	(4 467)	(4 387)	(4 472)	(4 399)
<b>Net fee and commission income</b>		<b>8 011</b>	<b>7 938</b>	<b>8 148</b>	<b>8 536</b>
Allowance for impairment losses		(46 031)	(43 915)	(50 444)	(49 794)
Net gain on operations with securities		3 088	3 088	4 945	321
Net foreign exchange gain		2 709	2 715	2 402	2 402
Gain on disposal of assets		1 212	165	( 113)	14
Other income		1 695	787	1 130	508
Administrative and other operating expenses	16	(34 021)	(28 572)	(36 647)	(31 713)
<b>(Losses) profit from continuing operations</b>		<b>(31 542)</b>	<b>(28 955)</b>	<b>(41 380)</b>	<b>(42 130)</b>
Dividends from investments in subsidiaries		-	-	-	6 377
<b>(Losses) profit before income tax</b>		<b>(31 542)</b>	<b>(28 955)</b>	<b>(41 380)</b>	<b>(35 753)</b>
<b>Discontinued operations:</b>		-	-	-	-
(Losses) profit from discontinued operations before tax		(1 594)	-	-	-
Income tax expense		4 844	4 806	5 829	5 639
<b>(Losses) profit for the year</b>		<b>(28 292)</b>	<b>(24 149)</b>	<b>(35 551)</b>	<b>(30 114)</b>
<b>Other comprehensive (loss) income</b>					
Gain (losses) from revaluation of financial assets		599	599	96	1 467
Deferred income tax on (loss) gain from revaluation of financial assets		180	180	( 197)	( 197)
Other comprehensive (loss) income, net of tax		779	779	( 101)	1 270
<b>Total comprehensive (losses) income</b>		<b>(27 513)</b>	<b>(23 370)</b>	<b>(35 652)</b>	<b>(28 844)</b>
<b>Profit is attributable to:</b>					
Equity holders of the Bank		(28 292)	(24 149)	(35 551)	(30 114)
from continuing operations		(26 698)	-	-	-
from discontinued operations		(1 594)	-	-	-
Minority interest		-	-	-	-
<b>(losses) profit for the year</b>					
Equity holders of the Bank		(27 513)	(23 370)	(35 652)	(28 844)
Minority interest		-	-	-	-
Basic earnings (losses) per share, net (in LTL per share)	13	-0.15	-0.12	-0.2	-0.17

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

Chief executive Officer

Audrius Žiugžda

Chief Financial Officer

Vita Adomaitytė

28 February 2011

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

	FROM 10 TO 12 MONTH 2010		FROM 10 TO 12 MONTH 2009	
	Group	Bank	Group	Bank
<b>Continuing operations</b>				
Interest and similar income	26 579	26 103	34 238	33 803
Interest expense and similar charges	(16 824)	(16 824)	(27 819)	(27 612)
<b>Net interest income</b>	<b>9 755</b>	<b>9 279</b>	<b>6 419</b>	<b>6 191</b>
Fee and commission income	3 646	3 356	3 252	3 319
Fee and commission expense	(1 251)	(1 223)	(1 147)	(1 128)
<b>Net fee and commission income</b>	<b>2 395</b>	<b>2 133</b>	<b>2 105</b>	<b>2 191</b>
Allowance for impairment losses	(8 014)	(7 746)	(24 446)	(26 837)
Net gain on operations with securities	(1 077)	(1 077)	( 32)	( 32)
Net foreign exchange gain	740	733	598	597
Gain on disposal of assets	209	6	96	5
Other income	92	142	308	91
Administrative and other operating expenses	(8 782)	(7 869)	(9 394)	(8 197)
<b>(Losses) profit from continuing operations</b>	<b>(4 682)</b>	<b>(4 399)</b>	<b>(24 346)</b>	<b>(25 991)</b>
Dividends from investments in subsidiaries	-	-	-	-
<b>(Losses) profit before income tax</b>	<b>(4 682)</b>	<b>(4 399)</b>	<b>(24 346)</b>	<b>(25 991)</b>
<b>Discontinued operations:</b>				
(Losses) profit from discontinued operations before tax	(1 594)	-	-	-
Income tax expense	936	914	5 692	5 519
<b>(Losses) profit for the period</b>	<b>(5 340)</b>	<b>(3 485)</b>	<b>(18 654)</b>	<b>(20 472)</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## THE GROUP'S AND BANK'S CASH FLOW STATEMENT

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
<b>Operating activities</b>				
Interest received	99 006	96 019	140 836	138 683
Interest paid	(78 390)	(78 296)	(110 093)	(109 370)
Net cash received from service and commission fees	8 011	7 938	8 148	8 536
Net cash received from operations in securities	4 352	4 352	( 268)	( 268)
Net cash received from operations in foreign currency	2 726	2 732	2 616	2 616
Cash received from previously written-off loans	1 240	790	313	72
Salaries and related payments to and on behalf of employees	(18 185)	(15 590)	(20 399)	(17 809)
Other receipts (payments)	(12 561)	(9 865)	(13 932)	(12 978)
Income tax paid	30	-	(2 646)	(2 627)
<b>Net cash flow from operating activities before change in short-term assets and liabilities</b>	<b>6 229</b>	<b>8 080</b>	<b>4 575</b>	<b>6 855</b>
<b>(Increase) decrease in assets:</b>				
Decrease in trading securities	(77 013)	(77 066)	977	977
(Increase) in loans to credit and financial institutions	6 627	(1 375)	14 864	43 343
(Increase) in loans to customers	(68 914)	(102 253)	21 557	(16 592)
(Increase) decrease in other assets	(29 865)	(11 046)	(5 529)	5 673
<b>Increase in liabilities</b>				-
Increase in liabilities to credit and financial institutions	122 751	131 732	(206 352)	(206 419)
Increase in deposits, special and leanding funds	140 224	140 303	263 948	263 959
Increase in other liabilities	2 529	873	(3 169)	( 201)
<b>Change</b>	<b>96 339</b>	<b>81 168</b>	<b>86 296</b>	<b>90 740</b>
<b>Net cash flow from operating activities</b>	<b>102 568</b>	<b>89 248</b>	<b>90 871</b>	<b>97 595</b>
<b>Investing activities</b>				
Purchase of tangible and intangible fixed assets	(22 398)	(2 190)	(3 398)	(3 209)
Disposal of tangible and intangible fixed assets	4 202	1 356	3 217	2 932
Acquisition of held to maturity securities	(74 267)	(70 820)	(2 846)	(2 846)
Proceeds from redemption of held to maturity securities	14 220	14 220	6 816	6 816
Acquisition of available-for-sale securities	(176 218)	(176 148)	(124 189)	(125 560)
Disposal of available-for-sale securities	165 133	165 133	76 279	76 279
Acquisition of subsidiary	-	(7 505)	-	(12 022)
Dividends received	68	68	4 829	6 582
<b>Net cash used in investing activities</b>	<b>(89 260)</b>	<b>(75 886)</b>	<b>(39 292)</b>	<b>(51 028)</b>
<b>Financing activities</b>				
Increase in share capital	25 480	25 480	-	-
Dividends paid	( 2)	( 2)	( 1)	( 1)
Payment to minority shareholders	-	-	(4 967)	-
Debt securities issued	20 134	20 134	40 387	40 387
Debt securities repurchased and redeemed	(19 228)	(19 228)	(61 229)	(61 229)
<b>Net cash flow from financing activities</b>	<b>26 384</b>	<b>26 384</b>	<b>(25 810)</b>	<b>(20 843)</b>
<b>Net increase in cash and cash equivalents</b>	<b>39 692</b>	<b>39 746</b>	<b>25 769</b>	<b>25 724</b>
<b>Cash and cash equivalents at 1 January</b>	<b>168 708</b>	<b>168 651</b>	<b>142 939</b>	<b>142 927</b>
<b>Cash and cash equivalents at 31 December</b>	<b>208 400</b>	<b>208 397</b>	<b>168 708</b>	<b>168 651</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Bank							Minority interest	Total equity:
	Share capital	Share premium	Reserve capital	Statutory reserve and others reserves	Retained earnings	Total:			
<b>31 December 2008</b>	<b>180 358</b>	<b>45 681</b>	<b>2 611</b>	<b>3 003</b>	<b>58 004</b>	<b>289 657</b>	<b>4 967</b>	<b>294 624</b>	
Dividends to minority	-	-	-	-	-	-	(3 923)	(3 923)	
Formation of reserve	-	-	-	12 514	(12 514)	-	-	-	
Financial assets revaluation reserve	-	-	-	96	-	96	-	96	
Recognition of deferred income tax	-	-	-	( 197)	-	( 197)	-	( 197)	
Decrease in share capital of minority shareholders in subsidiaries	-	-	-	179	-	179	(1 044)	( 865)	
Profit for the year	-	-	-	-	(35 551)	(35 551)	-	(35 551)	
<b>31 December 2009</b>	<b>180 358</b>	<b>45 681</b>	<b>2 611</b>	<b>15 595</b>	<b>9 939</b>	<b>254 184</b>	<b>-</b>	<b>254 184</b>	
Financial assets revaluation reserve	-	-	-	599	-	599	-	599	
Recognition of deferred income tax	-	-	-	180	-	180	-	180	
Increasing of capital	24 500	980	-	-	-	25 480	-	25 480	
Formation of reserve	-	-	-	441	( 441)	-	-	-	
Others moves	-	-	-	( 150)	( 820)	( 970)	-	( 970)	
Profit for the year	-	-	-	-	(28 292)	(28 292)	-	(28 292)	
<b>31 December 2010</b>	<b>204 858</b>	<b>46 661</b>	<b>2 611</b>	<b>16 665</b>	<b>(19 614)</b>	<b>251 181</b>	<b>-</b>	<b>251 181</b>	



# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve and others reserves	Retained earnings	Total equity:
<b>31 December 2008</b>	<b>180 358</b>	<b>45 681</b>	<b>2 611</b>	<b>( 680)</b>	<b>3 405</b>	<b>51 506</b>	<b>282 881</b>
Formation of reserve	-	-	-	-	12 576	(12 576)	-
Financial assets revaluation reserve	-	-	-	1 467	-	-	<b>1 467</b>
Recognition of deferred income tax	-	-	-	( 197)	-	-	<b>( 197)</b>
Profit for the year	-	-	-	-	-	(30 114)	<b>(30 114)</b>
<b>31 December 2009</b>	<b>180 358</b>	<b>45 681</b>	<b>2 611</b>	<b>590</b>	<b>15 981</b>	<b>8 816</b>	<b>254 037</b>
Financial assets revaluation reserve	-	-	-	599	-	-	<b>599</b>
Recognition of deferred income tax	-	-	-	180	-	-	<b>180</b>
Increasing of capital	24 500	980	-	-	-	-	<b>25 480</b>
Formation of reserve	-	-	-	-	441	( 441)	-
Profit for the year	-	-	-	-	-	(24 149)	<b>(24 149)</b>
<b>31 December 2010</b>	<b>204 858</b>	<b>46 661</b>	<b>2 611</b>	<b>1 369</b>	<b>16 422</b>	<b>(15 774)</b>	<b>256 147</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As of December 31 st 2010 the Bank had 481 employees (31 December 2009: 475). As of December 31st 2010 the Group had 545 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 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 December 31 st 2010 the number of the bank's clients included 258 municipal companies and governmental companies, 58 state companies, 49 agricultural companies, 30 economic partnerships, 4 706 limited liability public company, 1 525 private companies, 558 non-profit making and public sector companies and 1 134 other organizations as well as 120 028 individuals.

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

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Cash and other valuables	34 605	34 602	34 669	34 651
Mandatory reserves in national currency	67 381	67 381	58 790	58 790
Correspondent bank accounts	12 744	12 744	18 407	18 407
Banks time deposits	68 006	68 006	19 420	19 381
Correspondent account with central bank	25 664	25 664	37 422	37 422
<b>Total:</b>	<b>208 400</b>	<b>208 397</b>	<b>168 708</b>	<b>168 651</b>

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

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Due from other banks	4 147	4 147	2 214	2 214
<b>Total:</b>	<b>4 147</b>	<b>4 147</b>	<b>2 214</b>	<b>2 214</b>

# FINANCIAL STATEMENT 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

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Cash and balances with central banks	208 400	208 397	168 708	168 651
Loans and advances to banks	4 147	4 147	2 214	2 214
Loans and advances to customers:	1438 387	1657 609	1 434 328	1 605 635
Loans and advances to financial institutions	570	119 342	9 130	120 560
Loans to individuals (Retail)	202 569	191 321	235 765	222 509
Loans to business customers	1235 248	1346 946	1 189 433	1 262 566
Finance lease receivables	103 988	-	101 412	-
Trading assets:	-	-	-	-
Debt securities	81 228	78 308	2 973	-
Equity securities	98	98	121	121
Derivative financial instruments	-	-	-	-
Securities available for sale	-	-	-	-
Debt securities	87 626	87 626	71 282	71 282
Equity securities	27 962	1 749	14 954	801
Investment securities held to maturity	-	-	-	-
Debt securities	214 055	207 635	146 041	143 068
Other financial assets	35 254	12 025	26 775	1 215
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	62 025	62 070	50 307	50 240
Letters of credit	4 472	4 472	2 904	2 904
Loan commitments and other credit related liabilities	94 145	89 495	72 733	70 180
<b>December 31</b>	<b>2 361 787</b>	<b>2 413 631</b>	<b>2 094 752</b>	<b>2 116 311</b>

The table above represents a worst case scenario of credit risk exposure at 31 December 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 ŠIAULIŲ BANKAS AB

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

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Loans are summarised as follows:				
Loans to business customers	1 302 230	1 532 232	1 230 521	1 414 627
Loans to individuals	216 537	203 232	246 167	231 290
<b>Gross</b>	<b>1 518 767</b>	<b>1 735 464</b>	<b>1 476 688</b>	<b>1 645 917</b>
Allowance for impairment	80 380	77 855	42 360	40 282
<b>Net</b>	<b>1 438 387</b>	<b>1 657 609</b>	<b>1 434 328</b>	<b>1 605 635</b>

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Neither past due not impaired	1 281 030	1 502 817	1 245 472	1 419 699
Past due but not impaired	73 768	72 535	86 896	84 705
Impaired	163 969	160 112	144 320	141 513
<b>Gross</b>	<b>1 518 767</b>	<b>1 735 464</b>	<b>1 476 688</b>	<b>1 645 917</b>
Allowance for impairment	80 380	77 855	42 360	40 282
<b>Net</b>	<b>1 438 387</b>	<b>1 657 609</b>	<b>1 434 328</b>	<b>1 605 635</b>

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

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

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

The list of loss events:

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

## Loans and advances past due but not impaired

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Past due up to 30 days	44 487	43 500	59 529	58 225
Past due 31-60 days	11 916	11 686	7 886	7 250
Past due 61-90 days	2 826	2 810	3 651	3 412
Past due more than 90 days	14 539	14 539	15 830	15 818
<b>Total</b>	<b>73 768</b>	<b>72 535</b>	<b>86 896</b>	<b>84 705</b>
Fair value of collateral	121 677	121 677	139 635	139 635

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## Loans and advances impaired

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Impaired loans	163 969	160 112	144 320	141 513
Fair value of collateral	109 643	108 957	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:

	31-12-2010	31-12-2009
Business customers	90 965	71 125
Individuals	14 975	32 813
<b>Gross</b>	<b>105 940</b>	<b>103 938</b>

	31-12-2010	31-12-2009
Neither past due not impaired	74 148	56 508
Past due but not impaired	26 735	42 100
Impaired	5 057	5 330
<b>Gross</b>	<b>105 940</b>	<b>103 938</b>
Allowance for impairment	1 952	2 526
<b>Net</b>	<b>103 988</b>	<b>101 412</b>

	31-12-2010		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	1 239	12 424	13 663
residential real estate	443	41 370	41 813
airplanes	-	9 306	9 306
production equipment	94	14 303	14 397
other equipment	1 136	5 068	6 204
other assets	12 063	8 494	20 557
<b>Total:</b>	<b>14 975</b>	<b>90 965</b>	<b>105 940</b>

# FINANCIAL STATEMENT 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
<b>Total:</b>	<b>32 813</b>	<b>71 125</b>	<b>103 938</b>

## NOTE 6 SECURITIES

Trading securities	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
<b>Debt securities:</b>				
Private enterprise bonds of the Republic of Lithuania	16 496	13 576	2 973	-
Government bonds of the Republic of Lithuania	63 444	63 444	-	-
State companies bonds of the Republic of Lithuania	1 288	1 288	-	-
Private enterprise bonds of foreign states	-	0	-	-
<b>Nuosavybės vertybiniai popieriai:</b>	-	0		
Listed equity securities	-	0	-	-
Unlisted equity securities	2	2	38	38
Units of funds	96	96	83	83
<b>Total:</b>	<b>81 326</b>	<b>78 406</b>	<b>3 094</b>	<b>121</b>

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

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

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

Group 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 už BB-	-	-	-	-
no rating	-	2 973	38	83
<b>Total:</b>	<b>-</b>	<b>2 973</b>	<b>38</b>	<b>83</b>

## Investment securities

### Securities available-for-sale:

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
<b>Debt securities</b>				
Private enterprise bonds the Republic of Lithuania	3 216	3 216	41 737	41 737
Government bonds of the Republic of Lithuania	46 594	46 594	29 545	29 545
Government bonds of foreign states	27 595	27 595	-	-
Private enterprise bonds of foreign states	10 221	10 221	-	-
<b>Equity securities</b>	-	-	-	-
Listed equity securities	-	-	-	-
Unlisted equity securities	15 614	1 391	14 668	515
Units of funds	358	358	286	286
<b>Total:</b>	<b>103 598</b>	<b>89 375</b>	<b>86 236</b>	<b>72 083</b>

### Securities held-to-maturity

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
<b>Debt securities</b>				
Private enterprise bonds the Republic of Lithuania	6 420	-	2 973	-
Government bonds of the Republic of Lithuania	166 602	166 602	114 842	114 842
Government bonds of foreign states	29 250	29 250	21 779	21 779
Private enterprise bonds of foreign states	11 783	11 783	6 447	6 447
<b>Total:</b>	<b>214 055</b>	<b>207 635</b>	<b>146 041</b>	<b>143 068</b>



# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

Bank 31-12-2009	Municipality		
	Treasury bills	debt securities	Corporate debt securities
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 už BB-	-	-	-
no rating	-	-	-
<b>Total:</b>	<b>135 900</b>	<b>721</b>	<b>6 447</b>

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

Group 31-12- 2009	Municipality		
	Treasury bills	debt securities	Corporate debt securities
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 už BB-	-	-	-
no rating	-	-	2 973
<b>Total:</b>	<b>135 900</b>	<b>721</b>	<b>9 420</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## Investments in subsidiaries

	31-12-2010		
	Share in equity %	Acquisition cost	Carrying value
ŠB Lizingas UAB	100	5 000	2 000
ŠB Investicijų Valdymas UAB	100	4 040	3 113
ŠB Turto Fondas UAB	100	5 117	4 271
Minera UAB	100	5 505	5 505
SBTF UAB	100	2 000	2 000
<b>Total:</b>		<b>21 662</b>	<b>16 889</b>

	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	-	-	-
<b>Total:</b>		<b>14 157</b>	<b>9 384</b>

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

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Assets held for sale	42 961	-	34 845	-
Amounts receivable	35 254	12 025	26 775	1 215
Deferred expenses	2 791	2 528	2 652	2 487
Prepayments	4 491	918	3 579	412
Foreclosed assets	1 442	246	2 380	241
Other	1 533	399	842	535
<b>Total:</b>	<b>88 472</b>	<b>16 116</b>	<b>71 073</b>	<b>4 890</b>

The group is accounted the assets/liabilities of held for sale subsidiary Kedainiu oda at the lesser of the following values (fair value less expected costs of costs of sale or balance value).

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	26 417	26 441	6 145	6 187
Time deposits	62 317	62 317	23 232	23 233
<b>Total:</b>	<b>88 734</b>	<b>88 758</b>	<b>29 377</b>	<b>29 420</b>
Loans received:				
Loans from other banks	89 919	89 919	107 447	98 447
Loans from international organisations	57 251	57 251	57 293	57 293
Loans from financial institutions	133 163	133 163	52 155	52 155
<b>Total:</b>	<b>280 333</b>	<b>280 333</b>	<b>216 895</b>	<b>207 895</b>
<b>Total:</b>	<b>369 067</b>	<b>369 091</b>	<b>246 272</b>	<b>237 315</b>

## NOTE 9 DUE TO CUSTOMERS

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
<b>Demand deposits:</b>				
National government institutions	28 388	28 388	2 361	2 361
Local government institutions	58 364	58 364	26 920	26 920
Governmental and municipal companies	49 940	49 940	11 045	11 045
Corporate entities	127 925	128 020	96 898	96 914
Non-profit organisations	8 361	8 361	7 153	7 153
Individuals	129 131	129 131	97 428	97 428
Unallocated amounts due to customers	3 698	3 698	5 829	5 829
<b>Total demand deposits:</b>	<b>405 807</b>	<b>405 902</b>	<b>247 634</b>	<b>247 650</b>
<b>Time deposits:</b>				
National government institutions	10 037	10 037	4 733	4 733
Local government institutions	801	801	8 531	8 531
Governmental and municipal companies	102 771	102 771	145 644	145 644
Corporate entities	154 510	154 510	157 421	157 421
Non-profit organisations	8 589	8 589	7 286	7 286
Individuals	989 784	989 784	957 575	957 575
<b>Total time deposits:</b>	<b>1 266 492</b>	<b>1 266 492</b>	<b>1 281 190</b>	<b>1 281 190</b>
<b>Total:</b>	<b>1 672 299</b>	<b>1 672 394</b>	<b>1 528 824</b>	<b>1 528 840</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## NOTE 10 SPECIAL AND LENDING FUNDS

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Special funds	9 289	9 289	4 612	4 612
Lending funds	18 722	18 722	26 680	26 680
<b>Total:</b>	<b>28 011</b>	<b>28 011</b>	<b>31 292</b>	<b>31 292</b>

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

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
260 days coupon bonds in LTL with rate of 3,8 per cent, maturity 05-07-2011	5 291	5 291	-	-
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	-	-	3 691	3 691
<b>Total:</b>	<b>5 291</b>	<b>5 291</b>	<b>4 155</b>	<b>4 155</b>

## NOTE 12 OTHER LIABILITIES

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Accrued charges	3 399	2 934	3 305	2 903
Deferred income	922	519	1 340	455
Advances received from the buyers of assets	1 699	-	1 972	-
Amounts payable for finance lease agreements	1 503	-	2 110	-
Payable dividends	67	67	69	69
Other liabilities	293	200	275	204
<b>Total:</b>	<b>7 883</b>	<b>3 720</b>	<b>9 071</b>	<b>3 631</b>

## NOTE 13 SHARE CAPITAL

As of 31 December 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 authorised capital and votes of the Bank equal to and exceeding 50 per cent. As of 31 December 2010, this group possessed 48.26 percent of the authorised capital and votes of the Bank.

As of 31 December 2010, the Bank had 3 601 shareholder (31 December 2009 - 3 525).

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Shareholder	Number of shares held the right of ownership, units	Share of votes held on the right of ownership, %	Share of votes held together with the related persons, %
The European Bank for Reconstruction and Development (EBRD);	45 965 344	22.44	48.26
Gintaras Kateiva	14 710 214	7.18	48.26
Algirdas Butkus	10 590 328	5.17	48.26

## 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.

Bank	31-12-2010	31-12-2009
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	(24 149)	(30 114)
Weighted average number of issued shares (thousand of shares)	193 245	180 358
<b>Basic earnings per share (in LTL per share)</b>	<b>-0.12</b>	<b>-0.17</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Group	31-12-2010	31-12-2009
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	(28 292)	(35 551)
Weighted average number of issued shares (thousand of shares)	193 245	180 358
<b>Basic earnings per share (in LTL per share)</b>	<b>-0.15</b>	<b>-0.2</b>

## NOTE 14 NET INTEREST INCOME

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	1 122	7 072	2 647	12 488
on loans to customers	83 838	84 193	117 413	118 945
on debt securities	16 942	16 114	9 569	9 041
on finance leases	8 527	0	13 171	0
<b>Total interest income</b>	<b>110 429</b>	<b>107 379</b>	<b>142 800</b>	<b>140 474</b>
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(7 300)	(7 206)	(13 357)	(12 634)
on customer deposits and other repayable funds	(63 713)	(63 713)	(92 899)	(92 899)
on debt securities issued	( 243)	( 243)	(1 019)	(1 019)
compulsory insurance of deposits	(7 378)	(7 378)	(6 326)	(6 326)
<b>Total interest expense</b>	<b>(78 634)</b>	<b>(78 540)</b>	<b>(113 601)</b>	<b>(112 878)</b>
<b>Net interest income</b>	<b>31 795</b>	<b>28 839</b>	<b>29 199</b>	<b>27 596</b>

## NOTE 15 NET FEE AND COMMISSION INCOME

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	7 456	7 565	6 520	6 669
for payment card services	1 618	1 621	2 109	2 111
for base currency exchange	1 373	1 373	1 869	1 870
for operations with securities	130	130	113	113
other fee and commission income	1 901	1 636	2 009	2 172
<b>Total fee and commission income</b>	<b>12 478</b>	<b>12 325</b>	<b>12 620</b>	<b>12 935</b>
Fee and commission expense:				
for payment card services	(3 089)	(3 089)	(3 204)	(3 204)
for money transfer operations	(1 297)	(1 217)	(1 194)	(1 121)
for operations with securities	( 69)	( 69)	( 57)	( 57)
for base currency exchange	( 2)	( 2)	( 3)	( 4)
other fee and commission expenses	( 10)	( 10)	( 14)	( 13)
<b>Total fee and commission expense</b>	<b>(4 467)</b>	<b>(4 387)</b>	<b>(4 472)</b>	<b>(4 399)</b>
<b>Net fee and commission income</b>	<b>8 011</b>	<b>7 938</b>	<b>8 148</b>	<b>8 536</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(18 059)	(15 464)	(19 367)	(16 858)
Rent and maintenance of premises	(3 531)	(3 451)	(3 937)	(3 867)
Office equipment maintenance	( 983)	( 974)	( 951)	( 939)
Depreciation of fixed tangible assets	(4 121)	(3 060)	(4 299)	(3 391)
Amortisation of intangible assets	( 266)	( 262)	( 411)	( 405)
Transportation, post and communications expenses	(2 044)	(1 762)	(2 186)	(1 842)
Real estate tax and other taxes	(1 014)	( 246)	( 551)	( 241)
Advertising and marketing expenses	( 358)	( 330)	( 376)	( 342)
Training and business trip expenses	( 38)	( 30)	( 100)	( 76)
Charity	( 121)	( 96)	( 178)	( 173)
Service organisation expenses	( 627)	( 591)	( 645)	( 606)
Other operating expenses	(2 859)	(2 306)	(3 646)	(2 973)
<b>Total:</b>	<b>(34 021)</b>	<b>(28 572)</b>	<b>(36 647)</b>	<b>(31 713)</b>

## 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:

	31-12-2010		31-12-2009	
	Balances of deposits	Balances of loans	Balances of deposits	Balances of loans
Members of the Council and the Board	921	6 784	589	5 987
Other related parties (excluding subsidiaries of the Bank)	4 467	217 767	9 714	264 498
<b>Total:</b>	<b>5 388</b>	<b>224 551</b>	<b>10 303</b>	<b>270 485</b>

### Transactions with EBRD:

The balance of the Bank's loans received from the EBRD . As of December 31 st 2010 the total value of the EBRD loan was LTL 95 950 thou (in 2009 – LTL 57 293 thou). The interest related with the loan as well as other expenses comprised LTL 3 029 thou on 30 December 2010 (LTL 2 726 thou on 31 December 2009).

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

Balances of transactions with the subsidiaries are given below:

	31-12-2010		31-12-2009	
	Balances of deposits	Balances of loans	Balances of deposits	Balances of loans
Non-financial institutions	95	128 466	16	78 955
Financial institutions	24	118 772	43	111 430
<b>Total:</b>	<b>119</b>	<b>247 238</b>	<b>59</b>	<b>190 385</b>

Transactions with subsidiaries:

Assets	31-12-2010	31-12-2009
Loans	247 238	190 385
Other assets	21	28

## Liabilities and shareholders' equity

Demand deposits	119	59
Bank's investment	16 889	9 384

	31-12-2010	31-12-2009
<b>Income</b>		
Interest	9 841	11 247
Commission income	207	280
Income from foreign exchange operations	6	1
Dividends	-	6 377
Other income	192	169

## Expenses

Interest	-	-
Commission charges	-	-
Operating expenses	( 36)	( 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 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 December 31 st 2010 and of December 31st 2009. During those two years, the Group complied with capital requirements to which it is subject.

	31-12-2010		31-12-2009	
	Group	Bank	Group	Bank
<b>Tier 1 capital</b>				
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	8 678	8 375	45 490	38 930
Not audited result	(28 292)	(24 149)	(35 551)	(30 114)
Others reserve	16 667	16 422	16 376	15 981
Less: financial assets revaluation reserve	( 2)	-	( 781)	0
Less: Intangible assets	( 608)	( 606)	( 605)	( 600)
<b>Total Tier 1 capital</b>	<b>250 573</b>	<b>254 172</b>	<b>253 579</b>	<b>252 847</b>
<b>Tier 2 capital</b>				
85 % financial assets revaluation reserve	-	1 164	-	502
<b>Total Tier 2 capital</b>	<b>-</b>	<b>1 164</b>	<b>-</b>	<b>502</b>
Less Investments in other credit or financial institutions	-	(1 762)	-	(1 782)
<b>Total capital:</b>	<b>250 573</b>	<b>253 574</b>	<b>253 579</b>	<b>251 567</b>

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

## Capital requirement:

Standardised approach credit risk	131 965	131 810	122 038	123 501
Traded debt instruments	2 039	1 784	1 034	775
Equities	12	12	1 809	111
Foreign exchange risk exposure	1 882	3 050	12 145	12 005
Operational risk by Basic indicator's method	8 084	7 600	8 930	8 354
<b>Total capital requirement:</b>	<b>143 982</b>	<b>144 256</b>	<b>145 956</b>	<b>144 746</b>
<b>Capital ratio, %</b>	<b>13,92</b>	<b>14,06</b>	<b>13,90</b>	<b>13,90</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## NOTE 19 LIQUIDITY

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

### The liquidity risk management

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

Liquidity risk management is regulated by the Procedures for Liquidity Risk Management approved by the Bank's Board where strategic and current liquidity risk management measures are distinguished. Strategic (up to 3 months) liquidity risk is evaluated by analyzing the dynamics of various liquidity ratios. A list of these ratios as well as recommended limits to their change are defined in the above-mentioned procedures. Decisions regarding liquidity management issues are made by the Bank's Risk Management Committee with reference to the information submitted by the Bank's Planning and Financial Risks Department or by the Bank's Board with reference to the information submitted by the Risk Management Committee. Current liquidity (up to 10 days) risk management is based on current cash flow analysis and projections. The Treasury Department is responsible for this. As of December 31 st 2010 the above Group's ratio was 44,61 per cent (31-12-2009 -34,61 per cent), and the Bank's – 46,00 per cent (31-12-2009 – 38,23 per cent.).

The tables below disclose the assets and liabilities as of December 31 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 December 31 st 2010 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
<b>Total assets</b>	200 493	71 911	166 600	220 779	182 505	694 686	613 428	184 212	2 334 614
<b>Total liabilities and shareholder's equity</b>	441 626	222 179	293 816	389 547	403 823	158 886	171 441	253 296	2 334 614
<b>Net liquidity gap</b>	- 241 133	(150 268)	(127 216)	(168 768)	(221 318)	535 800	441 987	(69 084)	-

## FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

The structure of the Group's liabilities by maturity as of December 31 st 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:
<b>Total assets</b>	149 492	103 781	152 073	146 707	354 262	581 397	482 562	103 524	2 073 798
<b>Total liabilities and shareholder's equity</b>	257 980	304 051	411 823	332 871	302 329	92 608	116 834	255 302	2 073 798
<b>Net liquidity gap</b>	(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 December 31 st 2010 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
<b>Total assets</b>	200 395	98 072	209 978	277 703	229 332	628 540	556 100	134 534	2 334 654
<b>Total liabilities and shareholder's equity</b>	440 819	219 918	293 685	389 381	403 439	158 594	171 441	257 377	2 334 654
<b>Net liquidity gap</b>	(240 424)	(121 846)	(83 707)	(111 678)	(174 107)	469 946	384 659	(122 843)	-

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:
<b>Total assets</b>	149 272	177 835	156 166	157 969	371 548	536 322	447 182	62 976	2 059 270
<b>Total liabilities and shareholder's equity</b>	256 000	301 606	402 555	332 646	301 990	92 486	116 795	255 192	2 059 270
<b>Net liquidity gap</b>	(106 728)	(123 771)	(246 389)	(174 677)	69 558	443 836	330 387	(192 216)	-

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## Non-derivative cash flow

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

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

Group 31-12-2009	maturity			3 to 12		more than 5	Total:
	undefined	up to 1 month	1 to 3 months	months	1 to 5 years	years	
<b>Liabilities</b>							
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
<b>Total liabilities (contractual maturity dates)</b>	-	<b>559 272</b>	<b>417 488</b>	<b>647 143</b>	<b>183 307</b>	<b>45 419</b>	<b>1 852 629</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

<b>Bank 31-12-2009</b>	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
<b>Liabilities</b>							
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	1548 516
Debt securities in issue	-	-	-	4 437	-	-	4 437
Special and lending fund	-	5 599	155	3 155	21 561	1 935	32 405
<b>Total liabilities (contractual maturity dates)</b>	-	<b>559 268</b>	<b>408 391</b>	<b>647 143</b>	<b>183 307</b>	<b>45 419</b>	<b>1 843 528</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## 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 December 31 st 2010 the TOP to capital ratio was: Group's – 0,55 % (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 2010 and forecasts that currency weakening tendencies will remain in 2011.

Currency	Annual reasonable shift 2011	Annual reasonable shift 2010
USD	9%	8%
GBP	6%	6%
DKK	1%	1%
SEK	7%	5%
LVL	1%	1%
other currencies	6%	6%

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

	31-12-2010		31-12-2009	
	Impact on profit or loss, on equity		Impact on profit or loss, on equity	
	Group	Bank	Group	Bank
USD	36	41	57	57
GBP	4	4	16	16
DKK	2	2	1	1
SEK	11	11	5	5
LVL	1	1	1	1
other currencies	31	31	11	11
<b>Total:</b>	<b>85</b>	<b>90</b>	<b>91</b>	<b>91</b>

The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 90 thousand in 2010 (2009: LTL 91 thousand) and the Group's annual profit and makes LTL 85 thousand in 2010 (2009: LTL 91 thousand) higher/lower impact on profit.

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

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

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	44 367	1 747	46 114	740 304	1 548 196	2 334 614
Liabilities and shareholder's equity	43 131	922	44 053	718 949	1 571 612	2 334 614
Net balance sheet position	1 236	825	2 061	21 355	(23 416)	-
Currency swaps	- 783	0	( 783)	783	0	-
<b>Net open position</b>	<b>453</b>	<b>825</b>	<b>1 278</b>	<b>22 138</b>	<b>(23 416)</b>	<b>-</b>

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)	-
<b>Net open position</b>	<b>( 712)</b>	<b>762</b>	<b>50</b>	<b>151 030</b>	<b>(151 080)</b>	<b>-</b>

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

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	44 366	1 747	46 113	754 584	1 533 957	2 334 654
Liabilities and shareholder's equity	43 131	922	44 053	718 628	1 571 973	2 334 654
Net balance sheet position	1 235	825	2 060	35 956	- 38 016	-
Currency swaps	- 783	0	( 783)	783	0	-
<b>Net open position</b>	<b>452</b>	<b>825</b>	<b>1 277</b>	<b>36 739</b>	<b>(38 016)</b>	<b>-</b>



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

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)	-
<b>Net open position</b>	<b>( 712)</b>	<b>762</b>	<b>50</b>	<b>149 281</b>	<b>(149 331)</b>	<b>-</b>

## Interest rate risk

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

> the Bank observes the principle to avoid the speculation with future interest rates;

> the risk size is evaluated applying a pattern of interest rate gap (GAP);

> planning and Financial Risk Department provides the information on regular basis to Risk Management Committee about compliance with relative gap limits and submits proposals to the Bank's Board regarding the establishment of interest rates for credits and deposits.

## Sensitivity of interest rate risk

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

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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## Group 31-12-2010

	Demand and less than		3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
	1 month	1 to 3 months					
Assets	266 843	487 776	671 754	58 343	398 490	451 408	2 334 614
Liabilities and shareholder's equity	303 182	402 234	461 783	384 335	59 414	723 666	2 334 614
Net interest sensitivity gap at 30 June 2010	(36 339)	85 542	209 971	(325 992)	339 076	(272 258)	-
Higher/lower impact on profit from balance sheet assets and liabilities	( 348)	713	1 312	( 815)	-	-	862

## Group 31-12-2009

	Demand and less than		3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
	1 month	1 to 3 months					
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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(all amounts are in LTL thousand, unless otherwise stated)

## Bank 31-12-2010

	Demand and less than		3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
	1 month	1 to 3 months					
Assets	287 795	488 439	706 037	119 611	394 568	338 204	2 334 654
Liabilities and shareholder's equity	303 182	402 234	461 783	384 335	59 414	723 706	2 334 654
Net interest sensitivity gap at 30 June 2010	(15 387)	86 205	244 254	(264 724)	335 154	(385 502)	-
Higher/lower impact on profit from balance sheet assets and liabilities	( 147)	718	1 527	( 662)	-	-	1 436

## Bank 31-12-2009

	Demand and less than		3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
	1 month	1 to 3 months					
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

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## Operational risk

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

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

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

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

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

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

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

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

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

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

## Stress tests

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

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

## 21 NOTE SEGMENT INFORMATION

### Business segments

Below, there is a summary of major indicators for the main business segments of the Group included in the balance sheet as at 31 December 2010 and in the income statement:

	Banking	Leasing	Investment managemen t	Real estate development	Eliminations	Total:
Internal	9 841	(5 950)	(1 663)	(2 228)	-	-
External	18 998	10 470	840	1 487	-	31 795
<b>Net interest income</b>	<b>28 839</b>	<b>4 520</b>	<b>( 823)</b>	<b>( 741)</b>	<b>-</b>	<b>31 795</b>
Internal	10 048	(6 151)	(1 664)	(2 233)	-	-
External	26 729	10 395	870	1 812	-	39 806
<b>Net interest, fee and commissions income</b>	<b>36 777</b>	<b>4 244</b>	<b>( 794)</b>	<b>( 421)</b>	<b>-</b>	<b>39 806</b>
<b>Provision expenses</b>	<b>(43 915)</b>	<b>(1 916)</b>	<b>3</b>	<b>( 203)</b>	<b>-</b>	<b>(46 031)</b>
Internal	36	( 164)	( 35)	( 32)	195	-
External	(25 286)	(1 858)	( 605)	(1 885)	-	(29 634)
<b>Operating expenses</b>	<b>(25 250)</b>	<b>(2 022)</b>	<b>( 640)</b>	<b>(1 917)</b>	<b>195</b>	<b>(29 634)</b>
<b>Amortisation charges</b>	<b>( 262)</b>	<b>( 2)</b>	<b>-</b>	<b>( 2)</b>	<b>-</b>	<b>( 266)</b>
<b>Depreciation charges</b>	<b>(3 060)</b>	<b>( 945)</b>	<b>( 14)</b>	<b>( 102)</b>	<b>-</b>	<b>(4 121)</b>
Internal	198	( 1)	3 507	( 64)	(3 640)	-
External	6 557	809	( 251)	1 589	-	8 704
<b>Net other income</b>	<b>6 755</b>	<b>808</b>	<b>3 256</b>	<b>1 525</b>	<b>(3 640)</b>	<b>8 704</b>
Profit before tax	(28 955)	167	1 811	(1 120)	(3 445)	(31 542)
Losses from discontinued operations	-	-	-	-	(1 594)	(1 594)
Income tax	4 806	38	-	-	-	4 844
<b>Profit per segment after tax</b>	<b>(24 149)</b>	<b>205</b>	<b>1 811</b>	<b>(1 120)</b>	<b>(5 039)</b>	<b>(28 292)</b>
<b>Profit for the year attributable to equity</b>	<b>(24 149)</b>	<b>205</b>	<b>1 811</b>	<b>(1 120)</b>	<b>(5 039)</b>	<b>(28 292)</b>
<b>Total segment assets</b>	<b>2334 654</b>	<b>124 204</b>	<b>44 607</b>	<b>97 267</b>	<b>(266 118)</b>	<b>2 334 614</b>
<b>Total segment liabilities</b>	<b>2078 507</b>	<b>121 824</b>	<b>39 490</b>	<b>92 841</b>	<b>(249 229)</b>	<b>2 083 433</b>
<b>Net segment assets (shareholders' equity)</b>	<b>256 147</b>	<b>2 380</b>	<b>5 117</b>	<b>4 426</b>	<b>(16 889)</b>	<b>251 181</b>

# FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Below, there is a summary of major indicators for the main business segments of the Group included in the balance sheet as at 31 December 2009 and in the income statement:

	Banking	Leasing	Investment managemen t	Real estate development	Eliminations	Total:
Internal	14 519	(9 841)	(2 437)	(2 241)	-	-
External	13 077	14 551	636	935	-	29 199
<b>Net interest income</b>	<b>27 596</b>	<b>4 710</b>	<b>(1 801)</b>	<b>(1 306)</b>	<b>-</b>	<b>29 199</b>
Internal	14 875	(10 195)	(2 438)	(2 242)	-	-
External	21 257	14 485	659	946	-	37 347
<b>Net interest, fee and commissions income</b>	<b>36 132</b>	<b>4 290</b>	<b>(1 779)</b>	<b>(1 296)</b>	<b>-</b>	<b>37 347</b>
<b>Provision expenses</b>	<b>(49 794)</b>	<b>(1 781)</b>	<b>81</b>	<b>(1 050)</b>	<b>-</b>	<b>(52 544)</b>
Internal	28	( 193)	( 25)	( 27)	217	-
External	(27 945)	(2 182)	( 607)	(1 203)	-	(31 937)
<b>Operating expenses</b>	<b>(27 917)</b>	<b>(2 375)</b>	<b>( 632)</b>	<b>(1 230)</b>	<b>217</b>	<b>(31 937)</b>
<b>Amortisation charges</b>	<b>( 405)</b>	<b>( 3)</b>	<b>-</b>	<b>( 3)</b>	<b>-</b>	<b>( 411)</b>
<b>Depreciation charges</b>	<b>(3 391)</b>	<b>( 827)</b>	<b>( 17)</b>	<b>( 64)</b>	<b>-</b>	<b>(4 299)</b>
Internal	6 595	( 1)	-	-	(6 594)	-
External	3 027	461	2 372	2 504	-	8 364
<b>Net other income</b>	<b>9 622</b>	<b>460</b>	<b>2 372</b>	<b>2 504</b>	<b>(6 594)</b>	<b>8 364</b>
Profit before tax	(35 753)	( 236)	25	961	(6 377)	(41 380)
Income tax	5 639	219	-	( 29)	-	5 829
<b>Profit per segment after tax</b>	<b>(30 114)</b>	<b>( 17)</b>	<b>25</b>	<b>932</b>	<b>(6 377)</b>	<b>(35 551)</b>
<b>Profit for the year attributable to equity</b>	<b>(30 114)</b>	<b>( 17)</b>	<b>25</b>	<b>932</b>	<b>(6 377)</b>	<b>(35 551)</b>
<b>Total segment assets</b>	<b>2059 270</b>	<b>127 888</b>	<b>44 775</b>	<b>41 762</b>	<b>(199 897)</b>	<b>2 073 798</b>
<b>Total segment liabilities</b>	<b>1805 233</b>	<b>125 713</b>	<b>41 634</b>	<b>37 547</b>	<b>(190 513)</b>	<b>1 819 614</b>
<b>Net segment assets (shareholders' equity)</b>	<b>254 037</b>	<b>2 175</b>	<b>3 141</b>	<b>4 215</b>	<b>(9 384)</b>	<b>254 184</b>