

RESPONSIBLE PERSONS' CONFIRMATION

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

Chairman of the board



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

18 November 2008

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Chief Financial Officer



Vita Adomaitytė

18 November 2008



FINANCIAL STATEMENTS
30 SEPTEMBER 2008

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FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	30 September 2008		31 December 2007	
		Group	Bank	Group	Bank
Assets					
Cash and cash equivalents	2	254 888	254 790	230 540	230 528
Due from other banks	3	1 056	1 056	593	593
Trading securities	6	11 400	8 250	12 512	9 539
Loans to customers	4	1 494 538	1 655 406	1 387 434	1 540 637
Finance lease receivables	5	125 007	-	121 605	-
Investment securities:					
- available-for-sale	6	53 233	26 195	39 375	13 726
- held-to-maturity	6	155 302	152 152	167 136	164 163
Investments in subsidiaries	6	-	2 135	-	2 135
Intangible assets		861	850	1 251	1 227
Tangible fixed assets		54 263	46 321	51 279	45 204
Prepaid income tax		1 020	-	2 043	-
Other assets	7	30 706	6 920	37 795	5 394
Total assets		2 182 274	2 154 075	2 051 563	2 013 146
Liabilities					
Due to other banks and financial institutions	8	405 526	396 534	463 595	454 671
Due to customers	9	1 410 864	1 411 502	1 217 008	1 216 942
Special and lending funds	10	31 540	31 540	36 550	36 092
Debt securities in issue	11	25 236	25 236	28 550	28 550
Derivative financial instruments		-	-	119	119
Current income tax liabilities		1 245	992	1 156	930
Deferred income tax liabilities		149	149	225	225
Other liabilities	12	12 258	5 046	15 154	6 000
Total liabilities		1 886 818	1 870 999	1 762 357	1 743 529
Equity					
Capital and reserves attributable to equity holders of the parent					
Share capital	13	180 358	180 358	161 033	161 033
Share premium		45 681	45 681	65 006	65 006
Reserve capital		2 611	2 611	2 611	2 611
Statutory reserve		3 683	3 405	1 743	1 445
Financial assets revaluation reserve		(376)	(376)	360	360
Retained earnings		58 225	51 397	49 824	39 162
Minority interest	14	290 182	283 076	280 577	269 617
Total equity		295 456	283 076	289 206	269 617
Total liabilities and equity		2 182 274	2 154 075	2 051 563	2 013 146

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

Chairman of the Board

Algirdas Butkus

Chief Financial Officer

Vita Adomaitytė

18 November 2008

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S INCOME STATEMENT

	Notes	30 September 2008		30 September 2007	
		Group	Bank	Group	Bank
Interest and similar income	15	103 652	99 202	69 783	64 861
Interest expense and similar charges	15	(68 874)	(68 427)	(39 287)	(38 969)
Net interest income		34 778	30 775	30 496	25 892
Fee and commission income	16	10 786	11 032	10 461	10 734
Fee and commission expense	16	(4 024)	(3 943)	(4 017)	(3 947)
Net fee and commission income		6 762	7 089	6 444	6 787
Impairment charge for credit losses		(3 734)	(3 359)	(2 475)	(1 908)
Gain on disposal of subsidiary		-	-	8 525	8 421
Net gain on operations with securities		7 320	(633)	4 201	694
Net foreign exchange gain		2 143	2 149	2 515	2 523
Gain on disposal of assets		169	5	2 462	21
Other income		887	428	1 892	374
Administrative and other operating expenses	17	(31 085)	(27 052)	(28 126)	(23 711)
Operating profit		17 240	9 402	25 934	19 093
Dividends from investments in subsidiaries		-	8 797	-	7 114
Profit before income tax		17 240	18 199	25 934	26 207
Income tax expense		(930)	(783)	(3 061)	(2 004)
Profit for the year		16 310	17 416	22 873	24 203
Profit is attributable to:					
Equity holders of the Bank		13 562	17 416	20 873	24 203
Minority interest	14	2 748	-	2 000	-
Profit for the year		16 310	17 416	22 873	24 203
Basic and diluted earnings per share, net (in LTL per share)	13	0,08	0,10	0,17	0,20

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

Chairman of the Board

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Chief Financial Officer

Vita Adomaitytė

18 November 2008

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

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

	From 7 to 9 month 2008		From 7 to 9 month 2007	
	Group	Bank	Group	Bank
Interest and similar income	35 638	34 286	27 533	25 631
Interest expense and similar charges	(25 633)	(25 445)	(16 021)	(15 672)
Net interest income	10 005	8 841	11 512	9 959
Fee and commission income	3 940	4 029	3 682	3 755
Fee and commission expense	(1 492)	(1 463)	(1 376)	(1 353)
Net fee and commission income	2 448	2 566	2 306	2 402
Impairment charge for credit losses	(722)	(760)	(1 559)	(1 475)
Gain on disposal of subsidiary	-	-	-	-
Net gain on operations with securities	(544)	(544)	973	550
Net foreign exchange gain	905	908	906	917
Gain on disposal of assets	88	3	9	-
Other income	363	180	584	145
Administrative and other operating expenses	(9 780)	(8 614)	(9 762)	(7 912)
Operating profit	2 763	2 580	4 969	4 586
Dividends from investments in subsidiaries	-	-	-	-
Profit before income tax	2 763	2 580	4 969	4 586
Income tax expense	(291)	(183)	(941)	(924)
Profit for the year	2 472	2 397	4 028	3 662
Profit is attributable to:				
Equity holders of the Bank	2 682	2 397	4 151	3 662
Minority interest	(210)	-	(123)	-
Profit for the year	2 472	2 397	4 028	3 662

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

	Notes	30 September 2008		30 September 2007	
		Group	Bank	Group	Bank
Operating activities					
Interest received		103 312	98 862	69 783	64 861
Interest paid		(70 254)	(69 807)	(35 676)	(35 358)
Cash received from previously written-off loans		141	65	452	391
Net cash received from operations in foreign currency		1 776	1 782	1 506	1 533
Net cash received from operations in securities		944	916	9 695	8 297
Net cash received from service and commission fees		6 762	7 089	6 444	6 787
Salaries and related payments to and on behalf of employees		(19 050)	(16 513)	(16 685)	(14 462)
Other receipts		1 056	433	5 884	395
Other payments		(16 123)	(11 601)	(16 965)	(10 201)
Net cash flow from operating activities before change in short-term assets and liabilities		8 564	11 226	24 438	22 243
(Increase) decrease in assets:					
(Increase) in loans to credit and financial institutions		(9 878)	(102 863)	(110 297)	(143 593)
(Increase) in loans to customers		(102 621)	(12 370)	(429 980)	(402 469)
Decrease in trading securities		2 689	(376)	(34 664)	(9 405)
(Increase) decrease in other assets		9 581	(1 526)	2 832	(185)
Change in assets		(100 229)	(117 135)	(572 109)	(555 652)
Increase in liabilities					
Increase in liabilities to credit and financial institutions		(112 089)	(112 165)	226 708	213 755
Increase in deposits, special and leanding funds		244 246	245 416	214 780	214 677
Increase in other liabilities		(3 240)	(559)	(369)	16
Change in liabilities		128 917	132 692	441 119	428 448
Net cash flow from/(used in) operating activities before tax		37 252	26 783	(106 552)	(104 961)
Income tax paid		182	(721)	(1 450)	(600)
Net cash flow from operating activities		37 434	26 062	(108 002)	(105 561)
Investing activities					
Purchase of tangible and intangible fixed assets		(6 043)	(3 667)	(10 700)	(8 542)
Disposal of tangible and intangible fixed assets		880	755	12 798	2 238
Acquisition of available-for-sale securities		(27 794)	(26 136)	-	4 519
Disposal of available-for-sale securities		12 855	12 855	(1 119)	(1 119)
Acquisition of held to maturity securities		(8 989)	(5 839)	(13 882)	(13 882)
Proceeds from redemption of held to maturity securities		17 850	17 850	14 523	14 523
Dividends received		8 041	8 913	2 355	7 360
Net cash used in investing activities		(3 200)	4 731	3 975	5 097
Financing activities					
Increase in share capital		-	-	92 000	92 000
Dividends paid		(3 217)	(3 217)	(2 180)	(2 180)
Payment to minority shareholders		(3 355)	-	(14 229)	-
Debt securities issued		55 187	55 187	29 434	29 434
Debt securities repurchased and redeemed		(58 501)	(58 501)	(23 889)	(41 672)
Net cash flow from financing activities		(9 886)	(6 531)	81 136	77 582
Net increase in cash and cash equivalents		24 348	24 262	(22 891)	(22 882)
Cash and cash equivalents at 1 January		230 540	230 528	121 558	121 546
Cash and cash equivalents at 30 September	2	254 888	254 790	98 667	98 664

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

Chairman of the Bord

Algirdas Butkus

Chief Financial Officer

Vita Adomaitytė

18 November 2008

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Bank							Total equity
	Share capital	Share premium	Reserve capital	Statutory reserve and other reserve	Retained earnings	Total:	Minority interest	
31 December 2006	109 039	25 000	2 611	927	28 419	165 996	21 373	187 369
Dividends	-	-	-	-	(2 181)	(2 181)	-	(2 181)
Dividends to minority	-	-	-	-	-	-	(14 229)	(14 229)
Formation of statutory reserve	-	-	-	816	(816)	-	-	-
Bonus issue of share capital	11 994	(11 994)	-	-	-	-	-	-
Issue of share capital	40 000	52 000	-	-	-	92 000	-	92 000
Financial assets revaluation reserve	-	-	-	436	-	436	-	436
Recognition of deferred income tax	-	-	-	(76)	-	(76)	-	(76)
Decrease in share capital of minority shareholders in subsidiaries	-	-	-	-	-	-	(574)	(574)
Profit for the year	-	-	-	-	24 402	24 402	2 059	26 461
31 December 2007	161 033	65 006	2 611	2 103	49 824	280 577	8 629	289 206
Dividends	-	-	-	-	(3 221)	(3 221)	-	(3 221)
Dividends to minority	-	-	-	-	-	-	(6 103)	(6 103)
Financial assets revaluation reserve	-	-	-	(812)	-	(812)	-	(812)
Recognition of deferred income tax	-	-	-	76	-	76	-	76
Formation of statutory reserve	-	-	-	1 940	(1 940)	-	-	-
Bonus issue of share capital	19 325	(19 325)	-	-	-	-	-	-
Profit for the year	-	-	-	-	13 562	13 562	2 748	16 310
30 September 2008	180 358	45 681	2 611	3 307	58 225	290 182	5 274	295 456

Chairman of the Board

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18 November 2008


FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total
31 December 2006	109 039	25 000	2 611	-	700	14 840	152 190
Dividends	-	-	-	-	-	(2 181)	(2 181)
Financial assets revaluation reserve	-	-	-	436	-	-	436
Recognition of deferred income tax	-	-	-	(76)	-	-	(76)
Formation of statutory reserve	-	-	-	-	745	(745)	-
Bonus issue of share capital	11 994	(11 994)	-	-	-	-	-
Issue of share capital	40 000	52 000	-	-	-	-	92 000
Profit for the year	-	-	-	-	-	27 248	27 248
31 December 2007	161 033	65 006	2 611	360	1 445	39 162	269 617
Dividends	-	-	-	-	-	(3 221)	(3 221)
Formation of statutory reserve	-	-	-	-	1 960	(1 960)	-
Financial assets revaluation reserve	-	-	-	(812)	-	-	(812)
Recognition of deferred income tax	-	-	-	76	-	-	76
Bonus issue of share capital	19 325	(19 325)	-	-	-	-	-
Profit for the year	-	-	-	-	-	17 416	17 416
30 September 2008	180 358	45 681	2 611	(376)	3 405	51 397	283 076

Chairman of the Board

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18 November 2008

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GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As at 30 September 2008 the Bank had 521 employees (31 December 2007: 483). As at 30 September 2008 the Group had 581 employees (31 December 2007: 535 employees).

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

The Bank had the following subsidiaries:

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

Basis of preparation

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

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

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

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

Financial risk management

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

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

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

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

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

NOTE 1 CREDIT INSTITUTION ACTIVITIES

The bank's Head Office is located in Šiauliai. The bank has 14 branches in Kelmė, Klaipėda, Kuršėnai, Mažeikiai, Palanga, Šilutė, Vilnius, Alytus, Utena, Kaunas, Druskininkai, Panevėžys, Šiauliai, Radviliškis and 45 client service centres.

As of 30st September 2008 the number of the bank's clients included 234 municipal companies and government companies, 26 state companies, 45 agricultural company, 31 economic partnership, 3,829 limited liability public companies, 1,627 private companies, 472 non-profit making and public sector companies and 912 other organizations as well as 116 512 natural entities. As of 31st December 2007 and 30st September 2008 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 (real estate management). The bank owns 100% of "Šiaulių banko lizingas" UAB (nominal share value – LTL 1,000 thou), 60.4% of "Šiaulių banko investicijų valdymas" UAB (nominal share value – LTL 604 thou), 53.1% of "Šiaulių banko turto fondas" UAB (nominal share value – LTL 531 thou)..

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

NOTE 2 CASH AND CASH EQUIVALENTS

	Group 30 Septembe r 2008	Bank 30 Septembe r 2008	Group 31 Decembe r 2007	Bank 31 Decembe r 2007
Cash and other valuables	39 969	39 871	43 325	43 323
Mandatory reserves in national currency	90 012	90 012	74 488	74 488
Correspondent bank accounts	31 967	31 967	26 727	26 727
Banks time deposits	83 259	83 259	12 574	12 564
Correspondent account with central bank	9 681	9 681	73 426	73 426
Total:	254 888	254 790	230 540	230 528

Mandatory reserves comprise the funds calculated on a monthly basis as a 6% share of the average balance of deposits of the previous month. The mandatory reserves are held with the Bank of Lithuania in the form of deposits. The compensation for deposits held is calculated according to the Regulations of the Bank of Lithuania.

NOTE 3 DUE FROM OTHER BANKS

	Group 30 Septembe r 2008	Bank 30 Septembe r 2008	Group 31 Decembe r 2007	Bank 31 Decembe r 2007
Due from other banks	1 056	1 056	593	593
Total:	1 056	1 056	593	593

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

NOTE 4 LOANS TO CUSTOMERS

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

Credit risk exposures relating to on-balance sheet assets are as follows:	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Cash and balances with central banks	214 919	214 919	187 215	187 205
Loans and advances to banks	1 056	1 056	593	593
Loans and advances to customers:	1 494 538	1 655 406	1 387 434	1 540 637
Loans and advances to financial institutions	36 475	168 283	27 060	149 142
Loans to individuals (Retail)	286 719	273 500	284 460	274 677
Loans to business customers	1 171 344	1 213 623	1 075 914	1 116 818
Finance lease receivables	125 007	-	121 605	-
Trading assets:				
- Debt securities	7 913	4 763	9 336	6 363
- Equity securities	3 487	3 487	3 176	3 176
Derivative financial instruments	-	-	-	-
Securities available for sale				
- Debt securities	25 239	25 239	12 170	12 170
- Equity securities	27 994	956	27 205	1 556
Investment securities held to maturity				
- Debt securities	155 302	152 152	167 136	164 163
Other financial assets	10 668	1 634	11 823	611
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	65 163	65 163	89 809	89 809
Letters of credit	17 793	17 793	8 387	8 387
Loan commitments and other credit related liabilities	144 342	120 988	118 074	112 868
30 September /31 December	2 293 421	2 263 556	2 143 963	2 127 538

Loans and advances are summarised as follows:

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Business customers	1 213 539	1 387 625	1 119 236	1 272 222
Individuals	288 691	275 292	285 744	275 585
Gross	1 502 230	1 662 917	1 394 980	1 547 807
Less: allowance for impairment	7 692	7 511	7 546	7 170
Net	1 494 538	1 655 406	1 387 434	1 540 637

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Neither past due nor impaired	1 322 284	1 486 070	1 254 916	1 410 771
Past due but not impaired	74 035	71 277	71 813	69 198
Impaired	105 911	105 570	68 251	67 838
Gross	1 502 230	1 662 917	1 394 980	1 547 807
Less: allowance for impairment	7 692	7 511	7 546	7 170
Net	1 494 538	1 655 406	1 387 434	1 540 637

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

Neither past due not impaired loan – is a loan to which a loss event is not recognized and the borrower is not past due with the loan payments (on a principal or interest).

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

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

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

1. The borrower's financial status is evaluated as bad or as insufficient ;
2. A borrower is past due with the loan payments (on a principal or interest) for more than 90 days or loan agreement is terminated;
3. Proceeds granted to the borrower are used not according to the loan purpose and the implementation terms of investment project are violated;
4. Decrease in collateral value, when the repayment terms of the evaluated loans directly depend on the value of the object of security measure;
5. Third parties related to the borrower do not fulfil their obligations, which impacts the borrower's ability to fulfil its financial obligations;
6. The borrower's financial status is evaluated as sufficient (group 3) and the borrower is past due with the loan payments (on a principal or interest) between 31 day and 90 days.

Loans and advances past due but not impaired

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Past due up to 30 days	61 310	59 430	59 874	58 145
Past due 30-60 days	8 843	8 145	7 981	7 330
Past due 60-90 days	3 882	3 702	3 958	3 723
Gross	74 035	71 277	71 813	69 198

Loans and advances impaired

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Impaired loans	105 911	105 570	68 251	67 838
Fair value of collateral	270 252	270 252	186 913	186 913

NOTE 5 FINANCE LEASE RECEIVABLES

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

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

Finance lease receivables are summarised as follows:

	30 September	31 December
	2008	2007
Business customers	87 369	88 605
Individuals	38 887	34 124
Gross	126 256	122 729
Neither past due not impaired	91 229	98 434
Past due but not impaired	29 946	20 253
Impaired	5 081	4 042
Gross	126 256	122 729
Less: allowance for impairment	(1 249)	(1 124)
Net	125 007	121 605

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

	30 September 2008			31 December 2007		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Finance lease receivables by sector:						
- transport vehicles	2 646	24 306	26 952	2 446	25 369	27 815
- residential real estate	90	22 174	22 264	88	20 569	20 657
- airplanes	-	11 224	11 224	-	11 756	11 756
- production equipment	196	13 457	13 653	164	14 987	15 151
- other equipment	9 253	11 243	20 496	21 287	10 681	31 968
- other assets	26 702	4 965	31 667	10 139	5 243	15 382
Total:	38 887	87 369	126 256	34 124	88 605	122 729

NOTE 6 SECURITIES

Trading securities

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Debt securities:				
Private enterprise bonds			2 973	-
Government bonds	3 150	4 763	6 363	6 363
Equity securities:				
Listed	2 174	2 174	393	393
Unlisted	38	38	39	39
Units of funds	1 275	1 275	2 744	2 744
Total:	11 400	8 250	12 512	9 539

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

Rating	Treasury bills		Corporate debt securities		Corporate equity securities		Investment fund units	
	2008	2007	2008	2007	2008	2007	2008	2007
AAA	-	-	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-	-	-
FROM A- TO A+	4 763	6 363	-	-	-	-	-	-
BELOW A-	-	-	-	-	1 035	-	-	-
NO RATING	-	-	-	-	1 177	432	1 275	2 744
TOTAL:	4 763	6 363	-	-	2 212	432	1 275	2 744

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

Rating	Treasury bills		Corporate debt securities		Corporate equity securities		Investment fund units	
	2008	2007	2008	2007	2008	2007	2008	2007
AAA	-	-	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-	-	-
FROM A- TO A+	4 763	6 363	-	-	-	-	-	-
BELOW A-	-	-	-	-	1 035	-	-	-
NO RATING	-	-	3 150	2 973	1 177	432	1 275	2 744
Total:	4 763	6 363	3 150	2 973	2 212	432	1 275	2 744

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

Investment securities	30		31	
	September		December	
	2008		2007	
	Group	Bank	Group	Bank
Bonds:				
Government bonds of the Republic of Lithuania	4 250	4 250	-	-
Private enterprise bonds the Republic of Lithuania	14 364	14 364	-	-
Government bonds of foreign states	6 625	6 625	12 170	12 170
Securities available-for-sale:				
Unlisted equity securities	27 553	515	26 164	515
Units of funds	441	441	1 041	1041
Total :	53 233	26 195	39 375	13 726

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

Securities held-to-maturity

	30		31	
	September		December	
	2008		2007	
	Group	Bank	Group	Bank
Bonds of non-residents	8 283	8 283	8 358	8 358
Government bonds of foreign states	23 337	23 337	23 429	23 429
Government bonds of the Republic of Lithuania	113 661	113 661	120 728	120 728
Private enterprise bonds the Republic of Lithuania	10 021	6 871	14 621	11 648
Total investment securities:	155 302	152 152	167 136	164 163

Bank Rating	Treasury bills		Municipality debt securities		Corporate debt securities	
	2008	2007	2008	2007	2008	2007
	AAA	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-
FROM A- TO A+	136 229	143 413	-	-	1 637	2 681
BELOW A-	-	-	769	744	6 427	6 532
NO RATING	-	-	-	-	7 090	10 793
Total:	136 229	143 413	769	744	15 154	20 006

Group Rating	Treasury bills		Municipality debt securities		Corporate debt securities	
	2008	2007	2008	2007	2008	2007
	AAA	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-
FROM A- TO A+	136 229	143 413	-	-	1 637	2 681
BELOW A-	-	-	769	744	6 427	6 532
NO RATING	-	-	-	-	10 240	13 766
Total:	136 229	143 413	769	744	18 304	22 979

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

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

“Pajūrio alka“ UAB is sold in May 2007.

NOTE 7 OTHER ASSETS

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Assets held for sale and real estate projects under development	9 560	-	16 531	-
Amounts receivable	9 102	582	11 823	611
Deferred expenses	3 789	3 722	3 378	3 337
Prepayments	5 413	923	4 699	1 021
Foreclosed assets	234	45	45	45
Dividends receivable	1 566	1 052	-	-
Other	1 042	596	1 319	380
Total:	30 706	6 920	37 795	5 394

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	5 556	5 564	89 938	90 014
Time deposits	73 072	73 072	65 437	65 437
Total correspondent accounts and deposits of other banks and financial institutions	78 628	78 636	155 375	155 451
Loans received:				
Loans from other banks	254 388	245 388	223 837	214 837
Loans from international organisations	72 510	72 510	84 383	84 383
Total loans received	326 898	317 898	308 220	299 220
Total:	405 526	396 534	463 595	454 671

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

NOTE 9 DUE TO CUSTOMERS

	30 September 2008		31 December 2007	
	Group	Bankas	Group	Bankas
Demand deposits:				
National government institutions	7 297	7 297	3 571	3 571
Local government institutions	62 674	62 674	24 579	24 579
Governmental and municipal companies	4 773	4 773	5 856	5 856
Corporate entities	95 358	95 996	136 984	137 022
Non-profit organisations	6 542	6 542	7 583	7 583
Individuals	120 689	120 689	117 239	117 239
Unallocated amounts due to customers	11 116	11 116	11 033	11 033
Total demand deposits:	308 449	309 087	306 845	306 883
Time deposits:				
National government institutions	3 700	3 700	15 378	15 378
Local government institutions	12 130	12 130	9 606	9 606
Governmental and municipality companies	86 498	86 498	86 499	86 499
Corporate entities	137 193	137 193	113 588	113 484
Non-profit organisations	5 573	5 573	4 875	4 875
Individuals	857 321	857 321	680 217	680 217
Total time deposits:	1 102 415	1 102 415	910 163	910 059
Total:	1 410 864	1 411 502	1 217 008	1 216 942

NOTE 10 SPECIAL AND LENDING FUNDS

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Special funds	601	601	217	217
Lending funds	30 939	30 939	36 333	35 875
Total:	31 540	31 540	36 550	36 092

Special funds consist of compulsory social security and health insurance funds. Special funds have to be available to their contributors on their first demand.

Lending funds consist of loans from banks and financial institutions for granting of special purpose credits.

NOTE 11 DEBT SECURITIES IN ISSUE

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Short term debenture bonds denominated in EUR with coupon rate of 7,5 per cent, maturity 27-05-2009	-	-	9 382	9 382
Short term debenture bonds denominated in LTL with discount rate of 5.2 per cent, maturity 05-08-2008	-	-	19 168	19 168
Two year bonds denominated in EUR with coupon rate of 4.6 per cent, maturity 17-05-2008	25 236	25 236	19 168	19 168
Total :	25 236	25 236	28 550	28 550

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

NOTE 12 OTHER LIABILITIES

	30		31	
	September 2008		December 2007	
	Group	Bank	Group	Bank
Accrued charges	4 652	4 178	4 922	4 422
Deferred income	1 453	418	1 636	437
Advances received from the buyers of assets	3 243	-	2 366	-
Amounts payable for finance lease agreements	2 359	-	4 977	-
Payable dividends	73	73	-	-
Other	478	377	1 253	1 141
Total:	12 258	5 046	15 154	6 000

NOTE 13 SHARE CAPITAL

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

A resolution to increase the bank's authorized capital by LTL 19,324,021 and to issue the same number of ordinary registered shares with the par value of LTL1 each was made during the General Shareholders' Meeting of Šiaulių bankas AB held on March 27th 2007. On 14 May 2008, the Bank has registered the increase of the Bank's authorised share capital.

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

Shareholders	Percentage of shares with voting rights, %
European Bank for Reconstruction and Development	16,06
Gintaras Kateiva	5,86
Total:	21,92

Another 19 shareholders had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Seven shareholders of the Bank – European Bank for Reconstruction and Development, Prekybos Namai Aiva UAB, Mintaka UAB, Alita AB, Algirdas Butkus, Gintaras Kateiva and Arvydas Salda – acting jointly in accordance with the Agreement of Shareholders, together with related persons at the end of the year held 39,73 per cent of the Bank's shares and voting rights. Based on its Resolution No. 103 dated 23 June 2005, the Bank of Lithuania gave its consent for this group of shareholders to acquire a qualified share of the authorised share capital and voting rights.

As at 30 September 2008, the Bank had 3 669 shareholder (31 December 2007- 3 495).

Share premium

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

Reserve capital

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

Statutory reserve

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

Dividends

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

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

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	30
	September 2008	September 2007
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	17 416	24 203
Weighted average number of issued shares (thousand of shares)	180 358	121 473
Earnings per share (in LTL per share)	0,10	0,20
Group	30	30
	September 2008	September 2007
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	13 562	20 873
Weighted average number of issued shares (thousand of shares)	180 358	121 473
Earnings per share (in LTL per share)	0,08	0,17

NOTE 14 MINORITY INTEREST

	30	30
	September 2008	September 2007
	Group	Group
Balance at 1 January	8 629	21 373
Profit for the accounting period	2 748	2 059
Effect of dividends paid	(6 103)	(14 229)
Increase (decrease) in minority interest	-	(574)
Balance at 30 September/31 December	5 274	8 629

NOTE 15 NET INTEREST INCOME

	30		30	
	September 2008		September 2007	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	5 339	11 006	3 062	5 977
on loans to customers	81 841	81 620	53 533	53 108
on debt securities	6 930	6 576	5 976	5 776
on finance leases	9 542	-	7 221	-
Total interest income	103 652	99 202	69 783	64 861
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(17 103)	(16 701)	(9 705)	(9 385)
on customer deposits and other repayable funds	(45 957)	(45 912)	(24 764)	(24 766)
on debt securities issued	(1 216)	(1 216)	(1 207)	(1 207)
Compulsory insurance of deposits	(4 598)	(4 598)	(3 611)	(3 611)
Total interest expense	(68 874)	(68 427)	(39 287)	(38 969)
Net interest income	34 778	30 775	30 496	25 892

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

NOTE 16 NET FEE AND COMMISSION INCOME

	30 September 2008		30 September 2007	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	5 960	6 068	6 139	6 237
for payment card services	1 857	1 857	1 435	1 442
for base currency exchange	1 127	1 127	849	851
for operations with securities	222	222	560	560
Total fee and commission income	10 786	11 032	10 461	10 734
Fee and commission expense:				
for payment card services	(2 527)	(2 527)	(2 497)	(2 500)
for money transfer operations	(1 138)	(1 138)	(1 115)	(1 114)
for operations with securities	(220)	(220)	(309)	(309)
for base currency exchange	(46)	(46)	(3)	(3)
other fee and commission expenses	(93)	(12)	(93)	(21)
Total fee and commission expense	(4 024)	(3 943)	(4 017)	(3 947)
Net fee and commission income	6 762	7 089	6 444	6 787

NOTE 17 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	30 September 2008		30 September 2007	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(18 457)	(15 995)	(16 685)	(14 462)
Rent and maintenance of premises	(2 973)	(2 966)	(2 273)	(2 113)
Office equipment maintenance	(704)	(688)	(545)	(533)
Depreciation of fixed tangible assets	(2 990)	(2 367)	(2 593)	(1 982)
Amortisation of intangible assets	(465)	(452)	(497)	(468)
Transportation, post and communications expenses	(1 823)	(1 524)	(1 543)	(1 247)
Real estate tax and other taxes	(497)	(429)	(480)	(346)
Advertising and marketing expenses	(399)	(365)	(634)	(560)
Training and business trip expenses	(171)	(154)	(233)	(165)
Charity	(196)	(164)	(290)	(254)
Service organisation expenses	(307)	(268)	(335)	(279)
Other operating expenses	(2 103)	(1 680)	(2 018)	(1 302)
Total	(31 085)	(27 052)	(28 126)	(23 711)

NOTE 18 RELATED-PARTY TRANSACTIONS

Related parties with the Bank include the members of the Bank's Supervisory Council and Board, shareholders acting jointly in accordance with the Agreement of Shareholders (see Note 27), the close family members of these related parties and subsidiary companies of the Bank.

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

During 2007, 2008 a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

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

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	30 September 2008	31 December 2007	2008	2007	30 September 2008	31 December 2007	2008	2007
	Members of the Council and the Board	4 609	3 058	5,22	4,18	1 052	3 204	7,5
Other related parties (excluding subsidiaries of the Bank)	2 631	2 697	4,23	1,65	104 472	101 987	7,19	6,84

Transactions with EBRD:

The Bank received a syndicated loan from the EBRD with its balance as at 30 September 2008 (12-31-2007) amounting to EUR 24 million, of which EBRD's share as at 31 December 2007 was LTL 34,804 thousand. Gross loan of EBRD as at 30 September 2008 was LTL 72 510 thousand (2007: LTL 84 383 thousand). Interest and other expenses related to the loan during nine months 2008 amounted to LTL 4 471 thousand (31-12-2007: LTL 3 845 thousand).

Balances of transactions with the subsidiaries are given below:

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	30 September 2008	31 December 2007	2008	2007	30 September 2008	31 December 2007	2008	2007
	Non-financial institutions	712	38	0,34	0,00	44 569	46 694	6,89
Financial institutions	8	76	0,00	0,00	131 808	122 082	6,53	5,10

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

Assets	30	31
	September 2008	December 2007
Demand deposits		-
Loans	176 377	168 776
Debt securities	-	-
Equity securities	-	-
Dividends receivable	-	-
Other assets	40	41
Liabilities and shareholders' equity		
Demand deposits	720	114
Loans	-	-
Debt securities	-	-
Other liabilities	-	-
Bank's investment	2 135	2 135

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Income and expenses arising from transactions with subsidiaries:

Income	30	30
	September	September
	2008	2007
Interest	7 835	3 979
Commission income	330	353
Income from foreign exchange operations	6	27
Dividends	8 797	7 114
Other income	176	202
Expenses		
Interest	-	2
Commission charges	-	-
Operating expenses	17	28

NOTE 19 CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

	30 September 2008		31 December 2007	
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	180 358	180 358	161 033	161 033
Share premium	45 681	45 681	65 006	65 006
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	44 663	33 981	25 422	11 914
Other reserves	3 683	3 405	1 667	1 369
Less: Financial assets revaluation reserve	(376)	(376)		
Less: Intangible assets	(861)	(850)	(1 251)	(1 227)
Total Tier 1 capital	275 759	264 810	254 488	240 706

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Tier 2 capital				
Financial assets revaluation reserve	-	-	371	371
Total Tier 2 capital	-	-	371	371
Less Investments in other credit or financial institutions	-	(900)	-	(900)
Total capital	275 759	263 910	254 859	240 177
Capital requirement:				
Standardised approach credit risk	127 853	129 949	116 398	109 920
Traded debt instruments	646	388	702	422
Equities	3 735	532	3 644	567
Foreign exchange risk exposure	-	-	9 702	9 892
Operational risk by Basic indicator's method	9 514	6 718	9 514	6 718
Total capital requirement:	141 748	137 587	139 960	127 519
Capital ratio, %	15,56	15,35	14,57	15,07

NOTE 20 LIQUIDITY

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

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

The Group controls liquidity risk through established ratios and limits. For the purpose of managing liquidity risk, in addition to the liquidity ratio set by the Bank of Lithuania, which as at 30 September 2008 the Group's ratio was 39,44 (31-12-2007: 39,48) and the Bank's 42,31 (31-12-2007: 44,05), the Group uses the ratio of liquid assets to the total assets. Liquid assets used in calculation of the above ratio represents funds held at banks and financial institutions with maturity of less than three months. As at 30 September 2008 the above Group's ratio was 19,83 per cent (31-12-2007: 20,40 per cent), and the Banks – 20,08 (31-12-2007: 20,80). The recommended limit of this ratio is 20 per cent.

To follow the solvency status the Group and the Bank monitors availability of liquid funds needed to cover liabilities with a maturity of less than 30 days. Based on the Group's liquidity management policy this ratio (i.e. liquid funds / liabilities of less than 30 days) should not be lower than 100 per cent. As at 30 September 2008 the above ratio on the Group's and the Bank's level was 133,50 (31-12-2007: 107,50 per cent) per cent and 133,38 (31-12-2007: 110,14 per cent) per cent respectively.

The Group and the Bank also calculates 3-months liquidity ratio to monitor longer term liquidity risk. Based on the Group's liquidity risk management policy the lowest recommended limit of this ratio is 36 per cent. As at 30 September 2008 the Group's and the Bank's ratio was 49,13 per cent (31-12-2007: 48,27 per cent) and 58,17 per cent (31-12-2007: 58,72 per cent) respectively.

The tables below disclose the assets and liabilities as of September 30st 2008 according to their remaining maturity defined in the agreements. However, the real maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward.

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

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

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	195 643	197 079	137 382	181 450	239 247	555 083	583 631	92 759	2 182 274
Total liabilities and shareholders' equity	329 602	285 281	310 661	274 166	387 758	199 406	97 765	297 635	2 182 274
Net liquidity gap	(133 959)	(88 202)	(173 279)	(92 716)	(148 511)	355 677	485 866	(204 876)	

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	235 181	114 262	145 746	131 667	225 894	533 404	576 409	89 000	2 051 563
Total liabilities and shareholders' equity	400 086	256 548	223 792	270 976	316 793	187 557	104 997	290 814	2 051 563
Net liquidity gap	(164 905)	(142 286)	(78 046)	(139 309)	(90 899)	345 847	471 412	(201 814)	

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	194 679	261 343	166 017	216 756	210 662	502 356	547 873	54 389	2 154 075
Total liabilities and shareholders' equity	327 881	281 510	310 316	264 892	387 411	199 069	97 761	285 235	2 154 075
Net liquidity gap	(133 202)	(20 167)	(144 299)	(48 136)	(176 749)	303 287	450 112	(230 846)	

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

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

(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
30 September 2008**

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	41 335	22 564	138 202	198 751	50 368	451 220
Due to customers	-	553 260	296 257	526 882	43 815	381	1 420 595
Debt securities in issue	-	-	-	26 475	-	-	26 475
Special and lending fund	-	995	553	3 648	27 500	3 446	36 142
Total liabilities (contractual maturity dates)	-	595 590	319 374	695 207	270 066	54 195	1 934 432

**Group
31 December 2007**

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	137 451	5 754	125 125	188 596	51 401	508 327
Due to customers	-	510 102	223 815	448 294	56 833	37	1 239 081
Debt securities in issue	-	-	-	29 157	-	-	29 157
Special and lending fund	-	2 087	489	4 127	29 215	5 008	40 926
Total liabilities (contractual maturity dates)	-	649 640	230 058	606 703	274 644	56 446	1 817 491

Bank

30 September 2008

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	41 343	22 564	128 994	198 751	50 368	442 202
Due to customers	-	553 369	296 183	526 882	43 815	381	1 420 630
Debt securities in issue	-	-	-	26 475	-	-	26 475
Special and lending fund	-	995	553	3 648	27 500	3 446	36 142
Total liabilities (contractual maturity dates)	-	595 707	319 300	685 999	270 066	54 195	1 925 267

Bank

31 December 2007

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	128 516	5 754	125 125	188 596	51 401	499 392
Due to customers	-	510 098	223 815	448 190	56 833	37	1 238 973
Debt securities in issue	-	-	-	29 157	-	-	29 157
Special and lending fund	-	2 458	489	4 127	29 215	5 008	41 297
Total liabilities (contractual maturity dates)	-	640 172	230 058	606 599	274 644	56 446	1 808 819

NOTE 21 MARKET RISK

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

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

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 at 30 September 2008 the TOP to capital ratio was: Group's – 1,11 % (31-12-2007: 1,36 %), Bank's – 0,99 % (31-12-2007: 1,40 %).

Sensitivity of foreign exchange risk

Foreign exchange (FX) risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss – i.e. open FX position is multiplied by possible FX rate change. After the evaluation of the maximum fluctuation among currency rates during 2008, the FX risk parameters for the Group have been chosen.

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

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

Group	30 September 2008		31 December 2007	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollars weakening by 5%	12	12	16	16
GBP strengthening by 1%	4	4	9	9
NOK strengthening by 1%	2	2	6	6
SEK strengthening by 1%	8	8	4	4
LVL strengthening by 1%	4	4	4	4
Other strengthening by 3%	39	39	30	30
Total :	69	69	69	69

Bank	30 September 2008		31 December 2007	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollars weakening by 5%	40	40	16	16
GBP strengthening by 1%	4	4	9	9
NOK strengthening by 1%	2	2	6	6
SEK strengthening by 1%	8	8	4	4
LVL strengthening by 1%	4	4	4	4
Other strengthening by 3%	25	25	30	30
Total :	83	83	69	69

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The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 83 thousand in 2008 and the Group's annual profit and makes LTL 69 thousand in 2008 (2007: LTL 69 thousand) higher/lower impact on profit.

The Group's open positions of prevailing currencies as at 30 September 2008 were as follow:

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	62 098	6 118	68 216	633 581	1 480 477	2 182 274
Liabilities and shareholder's equity	57 062	794	57 856	639 333	1 485 085	2 182 274
Net balance sheet position	5 036	5 324	10 360	(5 752)	(4 608)	-
Currency swaps	(5 274)	(2 254)	(7 528)	5 714	1 811	(3)
Net open position	(238)	3070	2 832	(38)	(2 797)	(3)

The Group's open positions of prevailing currencies as at 31 December 2007 were as follow:

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	34 188	5 917	40 105	414 688	1 596 770	2 051 563
Liabilities and shareholder's equity	45 342	2 551	47 893	536 595	1 467 075	2 051 563
Net balance sheet position	(11 154)	3 366	(7 788)	(121 907)	129 695	-
Currency swaps	10 843	-	10 843	940	(11 905)	(122)
Net open position	(311)	3 366	3 055	(120 967)	117 790	(122)

The Bank's open positions of prevailing currencies as at 30 September 2008 were as follow:

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	61 540	5 665	67 205	634 448	1 452 422	2 154 075
Liabilities and shareholder's equity	57 062	794	57 856	639 333	1 456 886	2 154 075
Net balance sheet position	4 478	4 871	9 349	(4 885)	(4 464)	-
Currency swaps	(5 274)	(2 254)	(7 528)	5 714	1 811	(3)
Net open position	(796)	2 617	1 821	829	(2 653)	(3)

The Bank's open positions of prevailing currencies as at 31 December 2007 were as follow:

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	34 187	5 917	40 104	412 316	1 560 726	2 013 146
Liabilities and shareholder's equity	45 342	2 551	47 893	536 595	1 428 658	2 013 146
Net balance sheet position	(11 155)	3 366	(7 789)	(124 279)	132 068	-
Currency swaps	10 843	-	10 843	940	(11 905)	(122)
Net open position	<u>(312)</u>	<u>3 366</u>	<u>3 054</u>	<u>(123 339)</u>	<u>120 163</u>	<u>(122)</u>

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

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.

Group

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Total:
Total assets	471 062	535 063	518 445	94 727	254 922	308 055	2 182 274
Total liabilities and shareholder's equity	288 753	482 104	399 505	306 282	58 260	647 370	2 182 274
Net interest sensitivity gap at 30 September 2008	182 309	52 959	118 940	(211 555)	196 662	(339 315)	

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

1 747	441	743	(529)	-	-	2 403
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Group

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Total:
Total assets	217 149	434 270	639 114	116 981	292 606	351 443	2 051 563
Total liabilities and shareholder's equity	351 672	417 799	238 358	260 860	60 562	722 312	2 051 563
Net interest sensitivity gap at 31 December 2007	(134 523)	16 471	400 756	(143 879)	232 044	(370 869)	

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

(1 289)	137	2 505	(360)	-	-	993
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(All amounts are in LTL thousand, unless otherwise stated)

Bank

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Total:
Total assets	541 743	554 274	497 197	72 216	243 383	245 262	2 154 075
Total liabilities and shareholder's equity	288 753	482 104	390 505	306 282	58 260	628 171	2 154 075
Net interest sensitivity gap at 30 September 2008	252 990	72 170	106 692	(234 066)	185 123	(382 909)	
Higher/lower impact on profit from balance sheet assets and liabilities	2 424	601	667	(585)	-	-	3 108

Bank

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

Operational risk

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

The operational risk management system at the Bank includes all the significant fields of the banking operations: work with cash, lending, establishment and application of fees, payments and settlements, IT, accounting, public trading intermediary, etc.

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

The operational risk management and control system focuses on the identification of the most problematic places at the Bank in terms of the operational risk. The good functioning within the Bank's internal control system is the main factor mitigating the operational risk at the Bank.

Since 2005 the Bank has created the registration system to follow the operational risk events. The registration of the operational risk events is a foundation used for disclosing the major sources of the operational risks with the bank.

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

The Bank's operational risk management system is complimented by the Information Security and Emergency Management System created and installed by the IT agency "Blue Bridge", which increased the reliability of e-banking services and reduced the risks that the Bank's activities might be disturbed using the IT. New regulations regarding the secure work with the IT have

been established and started to be applied in all the outlets of the Bank and for separate bank officers, which allows significantly mitigate the risks of crisis related to information security.

Taking into consideration the scope of its activities and opportunity to use the historic data related to the operational risk, the Bank has decided to use a basic indicator method to calculate the additional capital requirements.

Stress tests

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

22 NOTE SEGMENT INFORMATION

Business segments

Below, there is a summary of major indicators for the main business segments of the Group included in the balance sheet as at 30 September 2008 and in the income statement for the year then ended:

	Banking	Investment Leasing management	Real estate development	Elimina tions	Total Group
Internal	7 835	(5 667)	(1 066)	(1 102)	-
External	22 940	10 234	465	1 139	34 778
Net interest income	30 775	4 567	(601)	37	34 778
Internal	8 159	(5 989)	(1 067)	(1 103)	-
External	29 705	10 162	505	1 168	41 540
Net interest, fee and commissions income	37 864	4 173	(562)	65	41 540
Provision expenses	(3 359)	(382)	7	-	(3 734)
Internal	17	(154)	(18)	(21)	176
External	(24 250)	(2 000)	(498)	(882)	(27 630)
Operating expenses	(24 233)	(2 154)	(516)	(903)	(27 630)
Amortisation charges	(452)	(11)	-	(2)	(465)
Depreciation charges	(2 367)	(559)	(16)	(48)	(2 990)
Internal	8 979	(6)	-	-	(8 973)
External	1 767	581	4 065	4 106	10 519
Net other income	10 746	575	4 065	4 106	(8 973)
Profit before tax	18 199	1 642	2 978	3 218	(8 797)
Income tax	(783)	(281)	-	134	(930)
Profit per segment after tax	17 416	1 361	2 978	3 352	(8 797)
Minority interest	-	-	(1 176)	(1 572)	(2 748)
Profit for the year attributable to equity holders of the Bank	17 416	1 361	1 802	1 780	(8 797)
Total segment assets	2 154 075	149 806	25 907	31 759	(179 273)
Total segment liabilities	1 870 999	147 213	21 518	24 226	(177 138)
Net segment assets (shareholders' equity)	283 076	2 593	4 389	7 533	(2 135)

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

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