



CONFIRMATION FROM THE AUTHORIZED PERSONS

We, Chairman of the Board of Šiaulių bankas AB Algirdas Butkus and Chief Financial Officer Vita Adomaitytė, confirm that provided financial statements of Šiaulių bankas AB for 12 month a year of 2009 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the assets, liabilities, financial status and activity result of Šiaulių bankas AB and the Group.

Chairman of the Board

A handwritten signature in blue ink, appearing to be "AB".

Algirdas Butkus

Chief Financial Officer

A handwritten signature in blue ink, appearing to be "Vita".

Vita Adomaitytė

26 February 2010



FINANCIAL STATEMENTS
31 DECEMBER 2009

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FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	31 December 2009		31 December 2008	
		Group	Bank	Group	Bank
Assets					
Cash and cash equivalents	2	168 708	168 651	142 939	142 927
Due from other banks	3	2 214	2 214	1 220	1 220
Trading securities	6	3 094	121	3 689	714
Loans to customers	4	1 434 328	1 605 635	1 490 014	1 674 541
Finance lease receivables	5	101 412	-	128 836	-
Investment securities:					
- available-for-sale	6	86 236	72 083	36 860	21 336
- held-to-maturity	6	146 041	143 068	150 012	147 038
Investments in subsidiaries	6	-	9 384	-	2 135
Intangible assets		605	600	791	780
Tangible fixed assets		63 753	45 179	56 359	46 290
Prepaid income tax		2 468	2 221	1 002	-
Deferred income tax assets		5 650	5 419	-	-
Other assets	7	59 523	4 890	67 852	12 704
Total assets		2 074 032	2 059 465	2 079 574	2 049 685
Liabilities					
Due to other banks and financial institutions	8	246 272	237 315	445 835	445 945
Due to customers	9	1 528 824	1 528 840	1 259 750	1 259 755
Special and lending funds	10	31 292	31 292	30 699	30 699
Debt securities in issue	11	4 155	4 155	24 997	24 997
Current income tax liabilities		-	-	543	526
Deferred income tax liabilities		234	195	98	98
Other liabilities	12	9 071	3 631	14 028	4 784
Total liabilities		1 819 848	1 805 428	1 784 950	1 766 804
Equity					
Capital and reserves attributable to equity holders of the parent					
Share capital	13	180 358	180 358	180 358	180 358
Share premium		45 681	45 681	45 681	45 681
Reserve capital		2 611	2 611	2 611	2 611
Statutory reserve		6 376	5 981	3 683	3 405
General reserve to cover possible losses in assets		10 000	10 000	-	-
Financial assets revaluation reserve		(781)	590	(680)	(680)
Retained earnings		9 939	8 816	58 004	51 506
		254 184	254 037	289 657	282 881
Minority interest	14	-	-	4 967	-
Total equity		254 184	254 037	294 624	282 881
Total liabilities and equity		2 074 032	2 059 465	2 079 574	2 049 685

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

26 February 2010

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S INCOME STATEMENT

	Notes	31 December 2009		31 December 2008	
		Group	Bank	Group	Bank
Interest and similar income	15	142 800	140 474	140 234	134 457
Interest expense and similar charges	15	(113 601)	(112 878)	(92 268)	(91 723)
Net interest income		29 199	27 596	47 966	42 734
Fee and commission income	16	12 620	12 935	14 887	15 221
Fee and commission expense	16	(4 472)	(4 399)	(5 366)	(5 247)
Net fee and commission income		8 148	8 536	9 521	9 974
Impairment charge for credit losses		(47 305)	(42 876)	(8 802)	(7 748)
Impairment charge for other assets		(3 139)	(6 918)	-	-
Net gain on operations with securities		4 945	321	6 009	(1 934)
Net foreign exchange gain		2 402	2 402	2 582	2 571
Gain on disposal of assets		(113)	14	249	8
Other income		1 130	508	1 141	559
Administrative and other operating expenses	17	(36 647)	(31 713)	(41 078)	(35 831)
Operating profit		(41 380)	(42 130)	17 588	10 333
Dividends from investments in subsidiaries		-	6 377	-	8 797
Profit before income tax		(41 380)	(35 753)	17 588	19 130
Income tax expense		5 829	5 639	(1 806)	(1 605)
Profit for the year		(35 551)	(30 114)	15 782	17 525
Profit is attributable to:					
Equity holders of the Bank		(35 551)	(30 114)	13 341	17 525
Minority interest	14	-	-	2 441	-
Profit for the year		(35 551)	(30 114)	15 782	17 525
Basic and diluted earnings per share, net (in LTL per share)	13	-0,20	-0,17	0,07	0,10

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

26 February 2010

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

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

	From 10 to 12 month 2009		From 10 to 12 month 2008	
	Group	Bank	Group	Bank
Interest and similar income	34 238	33 803	36 582	35 255
Interest expense and similar charges	(27 819)	(27 612)	(23 394)	(23 296)
Net interest income	6 419	6 191	13 188	11 959
Fee and commission income	3 251	3 319	4 101	4 189
Fee and commission expense	(1 146)	(1 128)	(1 342)	(1 304)
Net fee and commission income	2 105	2 191	2 759	2 885
Impairment charge for credit losses	(21 307)	(19 919)	(5 068)	(4 389)
Impairment charge for other assets	(3 139)	(6 918)	-	-
Net gain on operations with securities	(32)	(32)	(1 311)	(1 301)
Net foreign exchange gain	598	597	439	422
Gain on disposal of assets	96	5	80	3
Other income	308	91	254	131
Administrative and other operating expenses	(9 394)	(8 197)	(9 993)	(8 779)
Operating profit	(24 346)	(25 991)	348	931
Dividends from investments in subsidiaries	-	-	-	-
Profit before income tax	(24 346)	(25 991)	348	931
Income tax expense	5 692	5 519	(876)	(822)
Profit for the period	(18 654)	(20 472)	528	109
Profit is attributable to:				
Equity holders of the Bank	(18 654)	(20 472)	221	109
Minority interest	-	-	307	-
Profit for the period	(18 654)	(20 472)	528	109

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

	Notes	31 December 2009		31 December 2008	
		Group	Bank	Group	Bank
Operating activities					
Interest received		141 009	138 683	138 355	132 578
Interest paid		(110 093)	(109 370)	(90 779)	(90 234)
Cash received from previously written-off loans		313	72	195	82
Net cash received from operations in foreign currency		2 616	2 616	2 582	2 692
Net cash received from operations in securities		(268)	(268)	(1 261)	(1 289)
Net cash received from service and commission fees		8 148	8 536	9 521	9 974
Salaries and related payments to and on behalf of employees		(20 399)	(17 809)	(25 088)	(21 936)
Other receipts		1 017	522	1 390	567
Other payments		(30 984)	(27 424)	(17 780)	(15 401)
Net cash flow from operating activities before change in short-term assets and liabilities		(8 641)	(4 442)	17 135	17 033
(Increase) decrease in assets:					
(Increase) in loans to credit and financial institutions		14 864	43 343	2 665	(15 062)
(Increase) in loans to customers		37 306	(2 654)	(117 302)	(121 688)
Decrease in trading securities		977	977	14 193	8 052
(Increase) decrease in other assets		(5 529)	5 673	(14 352)	(5 564)
Change in assets		47 618	47 339	(114 796)	(134 262)
Increase in liabilities					
Increase in liabilities to credit and financial institutions		(204 555)	(206 419)	(51 257)	(51 333)
Increase in deposits, special and leanding funds		262 151	263 959	75 752	70 484
Increase in other liabilities		(3 169)	(201)	(880)	5 515
Change in liabilities		54 427	57 339	23 615	24 666
Net cash flow from/(used in) operating activities before tax		93 404	100 236	(74 046)	(92 563)
Income tax paid		(2 646)	(2 627)	(1 559)	(2 057)
Net cash flow from operating activities		90 758	97 609	(75 605)	(94 620)
Investing activities					
Purchase of tangible and intangible fixed assets		(3 398)	(3 209)	(14 525)	(9 500)
Disposal of tangible and intangible fixed assets		3 330	2 918	6 498	5 970
Acquisition of available-for-sale securities		(124 189)	(125 560)	(34 060)	(29 491)
Disposal of available-for-sale securities		76 279	76 279	20 764	20 764
Acquisition of held to maturity securities		(12 862)	(12 862)	(14 492)	(11 518)
Proceeds from redemption of held to maturity securities		16 832	16 832	28 655	28 655
Acquisition of subsidiary		-	(12 022)	-	-
Dividends received		4 829	6 582	8 040	8 912
Net cash used in investing activities		(39 179)	(51 042)	880	13 792
Financing activities					
Increase in share capital		-	-	-	-
Dividends paid		(1)	(1)	(3 220)	(3 220)
Payment to minority shareholders		(4 967)	-	(6 103)	-
Debt securities issued		40 387	40 387	55 710	55 710
Debt securities repurchased and redeemed		(61 229)	(61 229)	(59 263)	(59 263)
Net cash flow from financing activities		(25 810)	(20 843)	(12 876)	(6 773)
Net increase in cash and cash equivalents		25 769	25 724	(87 601)	(87 601)
Cash and cash equivalents at 1 January		142 939	142 927	230 540	230 528
Cash and cash equivalents at 31 December	2	168 708	168 651	142 939	142 927

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

26 February 2010

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							
	Share capital	Share premium	Reserve capital	Statutory reserve and other reserve	Retained earnings	Total:	Minority interest	Total equity
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)
Formation of statutory reserve	-	-	-	1 940	(1 940)	-	-	-
Bonus issue of share capital	19 325	(19 325)	-	-	-	-	-	-
Financial assets revaluation reserve	-	-	-	(1 118)	-	(1 118)	-	(1 118)
Recognition of deferred income tax	-	-	-	78	-	78	-	78
Profit for the year	-	-	-	-	13 341	13 341	2 441	15 782
31 December 2008	180 358	45 681	2 611	3 003	58 004	289 657	4 967	294 624
Dividends	-	-	-	-	-	-	-	-
Dividends to minority	-	-	-	-	-	-	(3 923)	(3 923)
Financial assets revaluation reserve	-	-	-	92	-	92	-	92
Recognition of deferred income tax	-	-	-	(193)	-	(193)	-	(193)
Formation of reserve	-	-	-	12 514	(12 514)	-	-	-
Decrease in share capital of minority shareholders in subsidiaries	-	-	-	179	-	179	(1 044)	(865)
Profit for the year	-	-	-	-	(35 551)	(35 551)	-	(35 551)
31 December 2009	180 358	45 681	2 611	15 595	9 939	254 184	-	254 184

Chairman of the Board



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

26 February 2010

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve and other reserve	Retained earnings	Total
31 December 2007	161 033	65 006	2 611	360	1 445	39 162	269 617
Dividends	-	-	-	-	-	(3 221)	(3 221)
Financial assets revaluation reserve	-	-	-	(1 118)	-	-	(1 118)
Recognition of deferred income tax	-	-	-	78	-	-	78
Formation of statutory reserve	-	-	-	-	1 960	(1 960)	-
Bonus issue of share capital	19 325	(19 325)	-	-	-	-	-
Profit for the year	-	-	-	-	-	17 525	17 525
31 December 2008	180 358	45 681	2 611	(680)	3 405	51 506	282 881
Formation of statutory reserve	-	-	-	-	2 576	(2 576)	-
Formation of general reserve	-	-	-	-	10 000	(10 000)	-
Financial assets revaluation reserve	-	-	-	1 463	-	-	1 463
Recognition of deferred income tax	-	-	-	(193)	-	-	(193)
Profit for the year	-	-	-	-	-	(30 114)	(30 114)
31 December 2009	180 358	45 681	2 611	590	15 981	13 066	254 037

Chairman of the Board



Algirdas Butkus

Chief Financial Officer



Vita Adomaitytė

26 February 2010

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

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As of December 31st 2009 the Bank had 475 employees (31 December 2008: 522). As of December 31st 2009 the Group had 530 employees (31 December 2008: 578 employees).

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

The Bank had the following subsidiaries:

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

Basis of preparation

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

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

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

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

Financial risk management

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

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

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

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

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

NOTE 1 CREDIT INSTITUTION ACTIVITIES

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

As of December 31st 2009 the number of the bank's clients included 241 municipal companies and governmental companies, 57 state companies, 48 agricultural companies, 31 economic partnership, 4 390 limited liability public company, 1 605 private companies, 499 non-profit making and public sector companies and 988 other organizations as well as 120 187 individuals.

As of December 31st 2009 and December 31st 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 (acquisition value – 31st December 2009 – LTL 2 000 thou; 31st December 2008 LTL 1,000 thou), 100 % (31st December 2008 - 60.4%) of "Šiaulių banko investicijų valdymas" UAB (acquisition value – 31st December 2009 - LTL 4 040 thou, 31st December 2008 LTL 604 thou), 100 % (31st December 2008 - 53.1%) of "Šiaulių banko turto fondas" UAB (acquisition value – 31st December 2009 -LTL 5 117 thou, 31st December 2008 – 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 31 December r 2009	Bank 31 December r 2009	Group 31 December r 2008	Bank 31 December r 2008
Cash and other valuables	34 669	34 651	41 116	41 114
Mandatory reserves in national currency	58 790	58 790	46 822	46 822
Correspondent bank accounts	18 407	18 407	19 866	19 866
Banks time deposits	19 420	19 381	35 125	35 125
Correspondent account with central bank	37 422	37 422	-	-
Total:	168 708	168 651	142 939	142 927

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

NOTE 3 DUE FROM OTHER BANKS

	Group 31 December r 2009	Bank 31 December r 2009	Group 31 December r 2008	Bank 31 December r 2008
Due from other banks	2 214	2 214	1 220	1 220
Total:	2 214	2 214	1 220	1 220

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

NOTE 4 LOANS TO CUSTOMERS
Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Cash and balances with central banks	168 708	168 651	101 823	101 813
Loans and advances to banks	2 214	2 214	1 220	1 220
Loans and advances to customers:	1 434 328	1 605 635	1 490 014	1 674 541
Loans and advances to financial institutions	9 130	120 560	24 988	165 065
Loans to individuals (Retail)	235 765	222 509	283 697	267 560
Loans to business customers	1 189 433	1 262 566	1 181 329	1 241 916
Finance lease receivables	101 412	-	128 836	-
Trading assets:				
- Debt securities	2 973	-	2 975	-
- Equity securities	121	121	714	714
Derivative financial instruments	-	-	-	-
Securities available for sale				
- Debt securities	71 282	71 282	20 608	20 608
- Equity securities	14 954	801	16 252	728
Investment securities held to maturity				
- Debt securities	146 041	143 068	150 012	147 038
Other financial assets	26 775	1 215	28 918	7 810
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	50 307	50 240	68 115	68 115
Letters of credit	2 904	2 904	9 282	9 282
Loan commitments and other credit related liabilities	72 733	70 180	71 156	64 425
31 December	2 094 752	2 116 311	2 089 925	2 096 294

The table above represents a worst case scenario of credit risk exposure at 31 December 2008 and at 31 December 2009, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above on net carrying amount as reported in the balance sheet.

Loans and advances are summarised as follows:

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Loans to business customers	1 230 521	1 414 627	1 214 456	1 415 117
Loans to individuals	246 167	231 290	287 048	270 692
Gross	1 476 688	1 645 917	1 501 504	1 685 809
Less: allowance for impairment	42 360	40 282	11 490	11 268
Net	1 434 328	1 605 635	1 490 014	1 674 541

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Neither past due not impaired	1 245 472	1 419 699	1 359 123	1 547 564
Past due but not impaired	86 896	84 705	97 659	94 209
Impaired	144 320	141 513	44 722	44 036
Gross	1 476 688	1 645 917	1 501 504	1 685 809
Less: allowance for impairment	42 360	40 282	11 490	11 268
Net	1 434 328	1 605 635	1 490 014	1 674 541

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

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

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

The list of loss events:

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

Loans and advances past due but not impaired

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Past due up to 30 days	59 529	58 225	63 347	61 096
Past due 31-60 days	7 886	7 250	19 684	18 907
Past due 61-90 days	3 651	3 412	5 824	5 402
Past due more than 90 days	15 830	15 818	8 804	8 804
Total	86 896	84 705	97 659	94 209
Fair value of collateral	139 635	139 635	165 438	165 438

Loans and advances impaired

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Impaired loans	144 320	141 513	44 722	44 036
Fair value of collateral	114 899	112 827	44 473	44 473

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 December 2009	31 December 2008
Business customers	71 125	86 667
Individuals	32 813	43 828
Gross	103 938	130 495

	31 December 2009	31 December 2008
Neither past due not impaired	56 508	103 343
Past due but not impaired	42 100	18 213
Impaired	5 330	8 939
Gross	103 938	130 495
Less: allowance for impairment	(2 526)	(1 659)
Net	101 412	128 836

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

	31 December 2009			31 December 2008		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Finance lease receivables by sector:						
- transport vehicles	1 634	12 581	14 215	2 499	21 880	24 379
- residential real estate	909	21 480	22 389	87	22 047	22 134
- airplanes	-	10 675	10 675	-	11 668	11 668
- production equipment	123	13 255	13 378	233	15 807	16 040
- other equipment	9 492	7 751	10 243	8 155	8 968	17 123
- other assets	27 655	5 383	33 038	32 854	6 297	39 151
Total:	32 813	71 125	103 938	43 828	86 667	130 495

NOTE 6 SECURITIES

Trading securities

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Debt securities:				
Private enterprise bonds			2 973	-
Government bonds			-	-
Equity securities:				
Listed			-	-
Unlisted			38	38
Units of funds			83	83
Total:			3 094	121

BANK'S TRADING SECURITIES AS OF DECEMBER 31st 2009 AND DECEMBER 31st 2008:

Rating	Treasury bills		Corporate debt securities		Corporate equity securities		Investment fund units	
	2009	2008	2009	2008	2009	2008	2009	2008
FROM AA- TO AAA	-	-	-	-	-	-	-	-
FROM A- TO A+	-	-	-	-	-	-	-	-
FROM BBB- TO BBB+	-	-	-	-	-	-	-	-
FROM BB- TO BB+	-	-	-	-	-	-	-	-
BELOW BB-	-	-	-	-	-	-	-	-
NO RATING	-	-	-	-	38	593	83	121
TOTAL:	-	-	-	-	38	593	83	121

GROUP'S TRADING SECURITIES AS OF DECEMBER 31st 2009 AND DECEMBER 31st 2008:

Rating	Treasury bills		Corporate debt securities		Corporate equity securities		Investment fund units	
	2009	2008	2009	2008	2009	2008	2009	2008
FROM AA- TO AAA	-	-	-	-	-	-	-	-
FROM A- TO A+	-	-	-	-	-	-	-	-
FROM BBB- TO BBB+	-	-	-	-	-	-	-	-
FROM BB- TO BB+	-	-	-	-	-	-	-	-
BELOW BB-	-	-	-	-	-	-	-	-
NO RATING	-	-	2 973	2 975	38	593	83	121
TOTAL:	-	-	2 973	2 975	38	593	83	121

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

Investment securities	31		31	
	December		December	
	2009	2008	2009	2008
	Group	Bank	Group	Bank
Bonds:				
Government bonds of the Republic of Lithuania	29 545	29 545	4 273	4 273
Private enterprise bonds the Republic of Lithuania	41 737	41 737	16 335	16 335
Government bonds of foreign states	-	-	-	-
Securities available-for-sale:				
Unlisted equity securities	14 668	515	16 039	515
Units of funds	286	286	213	213
Total :	86 236	72 083	36 860	21 336

Securities held-to-maturity

	31		31	
	December		December	
	2009	2008	2009	2008
	Group	Bank	Group	Bank
Bonds of non-residents	6 447	6 447	6 477	6 477
Government bonds of foreign states	21 779	21 779	23 482	23 482
Government bonds of the Republic of Lithuania	114 842	114 842	115 424	115 424
Private enterprise bonds the Republic of Lithuania	2 973	-	4 629	1 655
Total investment securities:	146 041	143 068	150 012	147 038

Bank: Rating	Treasury bills		Municipality debt securities		Corporate debt securities	
	2009	2008	2009	2008	2009	2008
	FROM AA- TO AAA	-	-	-	-	-
FROM A- TO A+	10 653	12 378	-	-	-	1 655
FROM BBB- TO BBB+	125 247	125 795	721	733	5 027	5 056
FROM BB- TO BB+	-	-	-	-	1 420	1 421
BELOW BB-	-	-	-	-	-	-
NO RATING	-	-	-	-	-	-
TOTAL:	135 900	138 173	721	733	6 447	8 132

Group Rating	Treasury bills		Municipality debt securities		Corporate debt securities	
	2009	2008	2009	2008	2009	2008
	FROM AA- TO AAA	-	-	-	-	-
FROM A- TO A+	10 653	12 378	-	-	-	1 655
FROM BBB- TO BBB+	125 247	125 795	721	733	5 027	5 056
FROM BB- TO BB+	-	-	-	-	1 420	1 421
BELOW BB-	-	-	-	-	-	-
NO RATING	-	-	-	-	2 973	2 974
TOTAL:	135 900	138 173	721	733	9 420	11 106

FINANCIAL STATEMENTS ŠIAULIŲ BANKAS AB

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

Investments in subsidiaries	31 December 2009			31 December 2008		
	Share in equity	Acquisitio n cost	Carrying value	Share in equity	Acquisitio n cost	Carrying value
Bank						
Investments in consolidated subsidiaries:						
ŠB Lizingas UAB	100,0%	2 000	2 000	100,0%	1 000	1 000
ŠB Investicijų Valdymas UAB	100,0%	4 040	3 113	60,4%	604	604
ŠB Turto Fondas UAB	100,0%	5 117	4 271	53,1%	531	531
Total :		11 157	9 384		2 135	2 135

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 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Assets held for sale and real estate projects under development	23 295	-	24 797	-
Amounts receivable	26 775	1 215	28 918	7 810
Deferred expenses	2 652	2 487	3 509	3 401
Prepayments	3 579	412	8 644	809
Foreclosed assets	2 380	24	742	45
Other	842	535	1 242	639
Total:	59 523	4 890	67 852	12 704

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	6 145	6 187	17 771	17 881
Time deposits	23 233	23 233	96 802	96 802
Total correspondent accounts and deposits of other banks and financial institutions	29 377	29 420	114 573	114 683
Loans received:				
Loans from other banks	107 447	98 447	257 532	257 532
Loans from international organisations	52 155	52 155	73 730	73 730
Loans fro financial institutions*	57 293	57 293	-	-
Total loans received	216 895	207 895	331 262	331 262
Total:	246 272	237 315	445 835	445 945

*Šiaulių bankas won the tender arranged by the Ministry of Economy of the Republic of Lithuania and “Investicijų ir verslo garantijos” UAB (INVEGA; Investment and Business Guarantees) for the portion of the budget assignments intended to credit small and medium-sized business.

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

NOTE 9 DUE TO CUSTOMERS

	31 December 2009		31 December 2008	
	Group	Bankas	Group	Bankas
Demand deposits:				
National government institutions	2 361	2 361	3 039	3 039
Local government institutions	26 920	26 920	26 039	26 039
Governmental and municipal companies	11 045	11 045	2 154	2 154
Corporate entities	96 898	96 914	88 397	88 416
Non-profit organisations	7 153	7 153	6 379	6 379
Individuals	97 428	97 428	98 914	98 914
Unallocated amounts due to customers	5 829	5 829	5 907	5 907
Total demand deposits:	247 634	247 650	230 829	230 848
Time deposits:				
National government institutions	4 733	4 733	646	646
Local government institutions	8 531	8 531	5 003	5 003
Governmental and municipality companies	145 644	145 644	85 951	85 951
Corporate entities	157 421	157 421	126 577	126 563
Non-profit organisations	7 286	7 286	4 738	4 738
Individuals	957 575	957 575	806 006	806 006
Total time deposits:	1 281 190	1 281 190	1 028 921	1 028 907
Total:	1 528 824	1 528 840	1 259 750	1 259 755

NOTE 10 SPECIAL AND LENDING FUNDS

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Special funds	4 612	4 612	386	386
Lending funds	26 680	26 680	30 313	30 313
Total:	31 292	31 292	30 699	30 699

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 December 2009		31 December 2008	
	Group	Bank	Group	Bank
373 days bonds denominated in EUR with coupon rate of 7,5 per cent, maturity 27-05-2009	-	-	24 997	24 997
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	-	-
Total :	4 155	4 155	24 997	24 997

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

NOTE 12 OTHER LIABILITIES

	31		31	
	December 2009		December 2008	
	Group	Bank	Group	Bank
Accrued charges	3 305	2 903	4 113	3 696
Deferred income	1 340	455	1 646	485
Advances received from the buyers of assets	1 972	-	2 016	-
Amounts payable for finance lease agreements	2 110	-	3 845	-
Payable dividends	69	69	73	73
Other	275	204	2 335	530
Total:	9 071	3 631	14 028	4 784

NOTE 13 SHARE CAPITAL

As of December 31st 2009, 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 2008. On 14 May 2008, the Bank has registered the increase of the Bank's authorised share capital.

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 40,08 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 of 31 December 2009, the Bank had 3 525 shareholder (31 December 2008- 3 549).

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. In 2009, 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.

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(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	31	31
	December	December
	2009	2008
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	(30 114)	17 525
Weighted average number of issued shares (thousand of shares)	180 358	180 358
Earnings per share (in LTL per share)	(0,17)	0,10

Group	31	31
	December	December
	2009	2008
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	(35 551)	13 341
Weighted average number of issued shares (thousand of shares)	180 358	180 358
Earnings per share (in LTL per share)	(0,20)	0,07

NOTE 14 MINORITY INTEREST

	31	31
	December	December
	2009	2008
	Group	Group
Balance at 1 January	4 967	8 629
Profit for the accounting period	-	2 441
Effect of dividends paid	(3 923)	(6 103)
Increase (decrease) in minority interest	(1 044)	-
Balance at 31 December	-	4 967

NOTE 15 NET INTEREST INCOME

	31		31	
	December		December	
	2009		2008	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	2 647	12 488	6 468	14 491
on loans to customers	117 413	118 945	111 349	111 389
on debt securities	9 569	9 041	9 053	8 577
on finance leases	13 171	-	13 364	-
Total interest income	142 800	140 474	140 234	134 457
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(13 357)	(12 634)	(21 829)	(21 284)
on customer deposits and other repayable funds	(92 899)	(92 899)	(62 652)	(62 652)
on debt securities issued	(1 019)	(1 019)	(1 679)	(1 679)
compulsory insurance of deposits	(6 326)	(6 326)	(6 108)	(6 108)
Total interest expense	(113 601)	(112 878)	(92 268)	(91 723)
Net interest income	29 199	27 596	47 966	42 734

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

NOTE 16 NET FEE AND COMMISSION INCOME

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	6 520	6 669	8 364	8 510
for payment card services	2 109	2 111	2 495	2 495
for base currency exchange	1 869	1 870	1 568	1 568
for operations with securities	113	113	278	278
other fee and commission income	2 009	2 172	2 182	2 370
Total fee and commission income	12 620	12 935	14 887	15 221
Fee and commission expense:				
for payment card services	(3 204)	(3 204)	(3 403)	(3 403)
for money transfer operations	(1 194)	(1 121)	(1 726)	(1 655)
for operations with securities	(57)	(57)	(171)	(171)
for base currency exchange	(3)	(4)	(4)	(4)
other fee and commission expenses	(14)	(13)	(62)	(14)
Total fee and commission expense	(4 472)	(4 399)	(5 366)	(5 247)
Net fee and commission income	8 148	8 536	9 521	9 974

NOTE 17 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(19 367)	(16 858)	(24 063)	(20 992)
Rent and maintenance of premises	(3 937)	(3 867)	(4 053)	(4 021)
Office equipment maintenance	(951)	(939)	(985)	(980)
Depreciation of fixed tangible assets	(4 299)	(3 391)	(4 018)	(3 197)
Amortisation of intangible assets	(411)	(405)	(596)	(579)
Transportation, post and communications expenses	(2 186)	(1 842)	(2 137)	(2 047)
Real estate tax and other taxes	(551)	(241)	(298)	(213)
Advertising and marketing expenses	(376)	(342)	(517)	(517)
Training and business trip expenses	(100)	(76)	(182)	(176)
Charity	(178)	(173)	(219)	(186)
Service organisation expenses	(645)	(606)	(540)	(499)
Expenses is being recovered from debtors	(900)	(803)	(191)	(169)
Other operating expenses	(2746)	(2 170)	(3 279)	(2 255)
Total	(36 647)	(31 713)	(41 078)	(35 831)

NOTE 18 RELATED-PARTY TRANSACTIONS

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

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

During 2008, 2009 a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

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

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

	Balances of deposits		Balances of loans	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Members of the Council and the Board	589	4 503	5 987	2 893
Other related parties (excluding subsidiaries of the Bank)	9 714	5 277	264 498	232 969

Transactions with EBRD:

The balance of the Bank's loans received from the EBRD comprised LTL 57 293 thou (EUR 16,6 million) as of December 31st 2009 including the syndicated loan of EUR 12 million (LTL 41,4 million, the EBRD's share – 33 per cent). As of December 31st 2009 the total value of the EBRD loan was LTL 57 293 thou (in 2008 – LTL 73 730 thou). The interest related with the loan as well as other expenses comprised LTL 2 726 thou on 31 December 2009 (LTL 5 189 thou on 31 December 2008).

Balances of transactions with the subsidiaries are given below:

	Balances of deposits		Balances of loans	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Non-financial institutions	12	17	78 955	64 569
Financial institutions	43	110	111 430	140 077

Transactions with subsidiaries: Šiaulių Banko Turto Fondas UAB (as of December 31st 2009 the Bank's holding is 100 % LTL 5 117 thousand, in 2008 - 53.10 %, LTL 531 thousand), Šiaulių Banko Investicijų Valdymas UAB (as of December 31st 2009 the Bank's holding is 100 % LTL 4 040 thousand, in 2008 - 60.4%, LTL 604 thousand), Šiaulių Banko Lizingas UAB (as of December 31st 2009 the Bank's holding is 100 % LTL 2 000 thousand, in 2008 - is 100%, LTL 1,000 thousand).

Assets	31 December 2009	31 December 2008
Demand deposits	-	-
Loans	190 385	204 646
Debt securities	-	-
Equity securities	-	-
Dividends receivable	-	-
Other assets	28	44
Liabilities and shareholders' equity		
Demand deposits	55	127
Loans	-	-
Debt securities	-	-
Other liabilities	-	-
Bank's investment	9 384	2 135

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

Income and expenses arising from transactions with subsidiaries:

	30	31
	December	December
Income	2009	2008
Interest	14 519	11 403
Commission income	356	444
Income from foreign exchange operations	1	15
Dividends	6 377	8 797
Other income	217	225
Expenses		
Interest	-	-
Commission charges	-	-
Operating expenses	28	36

NOTE 19 CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

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

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group as of December 31st 2009 and December 31st 2008. During those two years, the Group complied with capital requirements to which it is subject.

	31 December 2009		31 December 2008	
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	180 358	180 358	180 358	180 358
Share premium	45 681	45 681	45 681	45 681
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	45 490	38 930	44 648	33 981
Not audited result	(35 551)	(30 114)	-	-
Others reserve	16 376	15 981	3 698	3 405
Less: Financial assets revaluation reserve	(781)	-	(680)	(680)
Less: Intangible assets	(605)	(600)	(791)	(780)
Total Tier 1 capital	253 579	252 847	275 525	264 576

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

Tier 2 capital				
85 % financial assets revaluation reserve	-	502	-	-
Total Tier 2 capital	-	502	-	-
Less Investments in other credit or financial institutions	-	(1 782)	-	(900)
Total capital	253 579	251 567	275 525	263 676
Capital requirement:				
Standardised approach credit risk	122 057	123 517	128 359	129 177
Traded debt instruments	1 034	775	499	240
Equities	1 809	111	2 025	170
Foreign exchange risk exposure	12 145	12 005	3 084	2 045
Operational risk by Basic indicator's method	8 930	8 354	10 971	8 217
Total capital requirement:	145 975	144 762	144 938	139 849
Capital ratio, %	13,90	13,90	15,21	15,08

NOTE 20 LIQUIDITY

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

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

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

As of December 31st 2009 the above Group's ratio was 34,61 per cent (31-12-2008 -32,14 per cent), and the Bank's – 38,23 per cent (31-12-2008 – 38,75 per cent.).

The tables below disclose the assets and liabilities as of December 31st 2009 according to their remaining maturity defined in the agreements. However, the real maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward.

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

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

	Demand	Up to 1 month	1 to 3 month	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	149 492	103 781	152 073	146 707	354 262	581 397	482 562	103 758	2 074 032
Total liabilities and shareholders' equity	257 980	304 051	411 823	332 871	302 329	92 608	116 834	255 536	2 074 032
Net liquidity gap	(108 488)	(200 270)	(259 750)	(186 164)	51 933	488 789	365 728	(151 778)	-

The structure of the Group's liabilities by maturity as of December 31st 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	137 111	182 957	108 821	176 359	245 398	559 248	572 099	97 581	2 079 574
Total liabilities and shareholders' equity	266 546	359 188	304 536	315 563	270 198	165 939	101 024	296 580	2 079 574
Net liquidity gap	(129 435)	(176 231)	(195 715)	(139 204)	(24 800)	393 309	471 075	(198 999)	-

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	149 272	177 835	156 166	157 969	371 548	536 322	447 182	63 171	2 059 465
Total liabilities and shareholders' equity	256 000	301 606	402 555	332 646	301 990	92 486	116 795	255 387	2 059 465
Net liquidity gap	(106 728)	(123 771)	(246 389)	(174 677)	69 558	443 836	330 387	(192 216)	-

The structure of the Bank's liabilities by maturity as of December 31st 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	135 750	323 226	150 922	157 709	197 889	492 991	535 836	55 362	2 049 685
Total liabilities and shareholders' equity	264 599	353 252	295 227	315 270	269 714	165 786	101 020	284 817	2 049 685
Net liquidity gap	(128 849)	(30 026)	(144 305)	(157 561)	(71 825)	327 205	434 816	(229 455)	-

(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 December 2009

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

Group

31 December 2008

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	101 662	32 219	123 178	186 236	51 327	494 622
Due to customers	-	516 507	282 684	454 295	30 923	391	1 284 800
Debt securities in issue	-	-	-	25 752	-	-	25 752
Special and lending fund	-	1 720	228	2 703	27 121	3 447	35 219
Total liabilities (contractual maturity dates)	-	619 889	315 131	605 928	244 280	55 165	1 840 393

Bank

31 December 2009

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

Bank

31 December 2008

Liabilities	Maturity undefined	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	101 772	23 152	123 178	186 236	51 327	485 665
Due to customers	-	516 512	282 684	454 295	30 923	391	1 284 805
Debt securities in issue	-	-	-	25 752	-	-	25 752
Special and lending fund	-	1 720	228	2 703	27 121	3 447	35 219
Total liabilities (contractual maturity dates)	-	620 004	306 064	605 928	244 280	55 165	1 831 441

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 of December 31st 2009 the TOP to capital ratio was: Group's – 0,30 % (31-12-2008: 1,26 %), Bank's – 0,31 % (31-12-2008: 0,41 %).

Sensitivity of foreign exchange risk

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

Currency	Annual reasonable shift,	Annual reasonable shift,
	2010	2009
USD	8%	10%
GBP	6%	10%
DKK	1%	1%
SEK	5%	5%
LVL	1%	10%
Other currencies	6%	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	31 December 2009		31 December 2008	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD	71	71	238	238
GBP	16	16	20	20
DKK	1	1	4	4
SEK	5	5	7	7
LVL	1	1	13	13
Other strengthening by 3%	11	11	7	7
Total :	105	105	289	289

Bank	31 December 2009		31 December 2008	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD	57	57	65	65
GBP	16	16	20	20
DKK	1	1	4	4
SEK	5	5	7	7
LVL	1	1	13	13
Other strengthening by 3%	11	11	7	7
Total :	91	91	116	116

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The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 91 thousand in 2009 (2008: LTL 116 thousand) and the Group's annual profit and makes LTL 105 thousand in 2009 (2008: LTL 289 thousand) higher/lower impact on profit.

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

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	42 430	1 087	43 517	808 083	1 222 432	2 074 032
Liabilities and shareholder's equity	43 382	409	43 791	667 087	1 363 154	2 074 032
Net balance sheet position	(952)	678	(274)	140 996	(140 722)	-
Currency swaps	240	84	324	10 034	(10 358)	-
Net open position	(712)	762	50	151 030	(151 080)	-

The Group's open positions of prevailing currencies as of December 31st 2008 were as follow:

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	49 186	1 802	50 988	604 499	1 424 087	2 079 574
Liabilities and shareholder's equity	46 802	715	47 517	653 399	1 378 658	2 079 574
Net balance sheet position	2 384	1 087	3 471	(48 900)	45 429	-
Currency swaps	-	-	-	10 358	(10 358)	-
Net open position	2 384	1 087	3 471	(38 542)	35 071	-

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

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	42 430	1 087	43 517	806 334	1 209 614	2 059 465
Liabilities and shareholder's equity	43 382	409	43 791	667 087	1 348 587	2 059 465
Net balance sheet position	(952)	678	(274)	139 247	(138 973)	-
Currency swaps	240	84	324	10 034	(10 358)	-
Net open position	(712)	762	50	149 281	(149 331)	-

The Bank's open positions of prevailing currencies as of December 31st 2008 were as follow:

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	46 148	1 802	47 950	618 130	1 383 605	2 049 685
Liabilities and shareholder's equity	46 802	715	47 517	653 399	1 348 769	2 049 685
Net balance sheet position	(654)	1,087	433	(35,269)	34,836	-
Currency swaps	-	-	-	10 358	(10 358)	-
Net open position	(654)	1 087	433	(24 911)	24 478	-

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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	286 605	472 954	614 231	132 420	228 567	339 255	2 074 032
Total liabilities and shareholder's equity	384 640	504 619	329 762	283 954	37 543	533 514	2 074 032
Net interest sensitivity gap at 31 December 2009	(98 035)	(31 665)	284 469	(151 534)	191 024	(194 259)	-

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

(940)	(264)	1 778	(379)	-	-	196
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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	317 917	432 844	654 394	145 790	255 852	272 777	2 079 574
Total liabilities and shareholder's equity	434 488	536 749	259 082	242 791	35 210	571 254	2 079 574
Net interest sensitivity gap at 31 December 2008	(116 571)	(103905)	395 312	(97 001)	220 642	(298 477)	-

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

(1 117)	(866)	2 471	(243)	-	-	245
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Bank

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Total:
Total assets	504 852	523 922	510 610	48 642	206 654	232 789	2 027 469
Total liabilities and shareholder's equity	397 930	436 137	397 106	232 699	31 965	531 632	2 027 469
Net interest sensitivity gap at 31 December 2009	106 922	87 785	113 504	(184 057)	174 689	(298 843)	-
Higher/lower impact on profit from balance sheet assets and liabilities	1 025	732	709	(460)			2 005

Bank

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Total:
Total assets	354 972	450 390	607 277	176 854	215 928	254 044	2 059 465
Total liabilities and shareholder's equity	384 640	495 619	329 762	283 954	37 543	527 947	2 059 465
Net interest sensitivity gap at 31 December 2008	(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

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 31 December 2009 and in the income statement for the year then ended:

	Banking	Investment Leasing management	Real estate development	Elimina tions	Total Group
Internal	14 519	-9 841	-2 437	-2 241	-
External	13 077	14 551	636	935	29 199
Net interest income	27 596	4 710	-1 801	-1 306	29 199
Internal	14 875	-10 195	-2 438	-2 242	-
External	21 257	14 485	659	946	37 347
Net interest, fee and commissions income	36 132	4 290	-1 779	-1 296	37 347
Provision expenses	-49 794	-1 781	81	1 050	-50 444
Internal	28	-193	-25	-27	217
External	-27 945	-2 182	-607	-1 203	-31 937
Operating expenses	-27 917	-2 375	-632	-1 230	217
Amortisation charges	-405	-3	0	-3	-411
Depreciation charges	-3 391	-827	-17	-64	-4 299
Internal	6 595	-1	-	-	-6 594
External	3 027	461	2 372	2 504	8 364
Net other income	9 622	460	2 372	2 504	-6 594
Profit before tax	-35 753	-236	25	961	-6 377
Income tax	5 639	219	-	-29	5 829
Profit per segment after tax	-30 114	-17	25	932	-6377
Minority interest	-	-	-	-	-
Profit for the year attributable to equity holders of the Bank	-30 114	-17	25	932	-6 377
Total segment assets	2 059 465	127 888	44 775	41 762	-199 858
Total segment liabilities	1 805 428	125 713	41 634	37 547	-190 474
Net segment assets (shareholders' equity)	254 037	2 175	3 141	4 215	-9 384

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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 of December 31st 2008 and in the income statement for the year then ended:

	Banking	Investment Leasing management	Real estate development	Elimina tions	Total Group
Internal	11 403	-8 023	-1 763	-1617	-
External	31 331	14 368	828	1439	-
Net interest income	42 734	6 345	-935	-178	-
Internal	11 847	-8 465	-1 764	-1618	-
External	40 861	14 264	894	1468	-
Net interest, fee and commissions income	52 708	5 799	-870	-150	-
Provision expenses	-7 748	-1 047	5	-12	-
Internal	36	-208	-24	-29	225
External	-32 091	-2 668	-647	-1058	-
Operating expenses	-32 055	-2 876	-671	-1087	225
Amortisation charges	-579	-14	0	-3	-
Depreciation charges	-3 197	-737	-20	-64	-
Internal	9 037	-15	-	-	-9 022
External	964	704	4 058	4 255	0
Net other income	10 001	689	4 058	4 255	-9 022
Profit before tax	19 130	1 814	2 502	2 939	-8 797
Income tax	-1 605	-354	-	153	-
Profit per segment after tax	17 525	1 460	2 502	3 092	-8 797
Minority interest	-	-	-991	-1 450	-
Profit for the year attributable to equity holders of the Bank	17 525	1 460	1 511	1 642	-8 797
Total segment assets	2 049 685	159 346	43 112	34 385	-20 6954
Total segment liabilities	1 766 804	156 654	39 199	27 112	-204 819
Net segment assets (shareholders' equity)	282 881	2 692	3 913	7 273	-2 135