



CONFIRMATION FROM THE RESPONSIBLE PERSONS

We, Chief Executive Officer of Šiaulių bankas AB Audrius Žiugžda and Chief Accountant Vita Adomaitytė, confirm that as far as we know, financial statements for 9 months of 2011 are formed in compliance with the applicable accounting standards, correspond the reality and correctly reflect the total assets, liabilities, financial status, activity result and cash flow of Šiaulių bankas AB and consolidated companies.

Chief Executive Officer

A handwritten signature in black ink, appearing to be 'A. Žiugžda'.

Audrius Žiugžda

Chief Accountant

A handwritten signature in black ink, appearing to be 'V. Adomaitytė'.

Vita Adomaitytė

30-11-2011



FINANCIAL STATEMENT

30 SEPTEMBER 2011

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FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	30-09-2011		31-12-2010	
		Group	Bank	Group	Bank
ASSETS					
Cash and cash equivalents	2	223 134	223 132	208 400	208 397
Due from other banks	3	4 147	4 147	4 147	4 147
Trading securities	6	46 520	46 520	81 326	78 406
Derivative financial instruments		0	0	-	-
Loans to customers	4	1 776 970	2 016 319	1 438 387	1 657 609
Finance lease receivables	5	123 129	-	103 988	-
Investment securities:					
- available-for-sale	6	163 344	145 232	103 598	89 375
- held-to-maturity	6	229 711	217 025	214 055	207 635
Investments in subsidiaries	6	0	16 889	0	16 889
Intangible assets		685	660	608	606
Tangible fixed assets		76 238	47 978	67 156	43 699
Prepaid income tax		0	0	1 615	1 598
Deferred income tax assets		8 525	8 508	10 407	10 177
Other assets	7	71 792	9 344	88 472	16 116
Assets related with subsidiaries to sale	7	14 561	-	12 455	-
Total assets		2 738 756	2 735 754	2 334 614	2 334 654
LIABILITIES					
Due to other banks and financial institutions	8	447 828	447 836	369 067	369 091
Due to customers	9	1 922 779	1 923 010	1 672 299	1 672 394
Special and lending funds	10	24 942	24 942	28 011	28 011
Debt securities in issue	11	38 402	38 402	5 291	5 291
Liabilities related with subsidiaries to sale	7	1 865	-	882	-
Other liabilities	12	11 857	5 501	7 883	3 720
Total liabilities		2 447 673	2 439 691	2 083 433	2 078 507
EQUITY					
Share capital	13	234 858	234 858	204 858	204 858
Share premium	13	47 861	47 861	46 661	46 661
Reserve capital	13	2 611	2 611	2 611	2 611
General reserve to cover possible losses in assets	13	-	-	10 000	10 000
Statutory reserve	13	960	648	6 667	6 422
Financial assets revaluation reserve		(2 015)	(644)	(2)	1 369
Retained earnings		6 808	10 729	(19 614)	(15 774)
Total equity		291 083	296 063	251 181	256 147
Total liabilities and equity		2 738 756	2 735 754	2 334 614	2 334 654

The notes on pages 10-38 constitute an integral part of these financial statements

Chief executive Officer

Audrius Žiugžda

Chief accountant

Vita Adomaitytė

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

	Notes	30-09-2011		30-09-2010	
		Group	Bank	Group	Bank
Continuing operations					
Interest and similar income	14	87 456	83 965	83 850	81 276
Interest expense and similar charges	14	(49 612)	(49 292)	(61 810)	(61 716)
Net interest income		37 844	34 673	22 040	19 560
Fee and commission income	15	10 088	10 156	8 832	8 969
Fee and commission expense	15	(3 996)	(3 967)	(3 216)	(3 164)
Net fee and commission income		6 092	6 189	5 616	5 805
Allowance for impairment losses		(6 226)	(6 448)	(38 017)	(36 169)
Net gain on operations with securities		223	223	4 165	4 165
Net foreign exchange gain		3 546	3 553	1 969	1 982
Gain on disposal of assets		1 503	16	1 003	159
Other income		1 741	532	1 603	645
Administrative and other operating expenses	16	(31 571)	(26 355)	(25 239)	(20 703)
(Losses) profit from continuing operations		13 152	12 383	(26 860)	(24 556)
Dividends from investments in subsidiaries		-	-	-	-
(Losses) profit before income tax		13 152	12 383	(26 860)	(24 556)
Discontinued operations:		-	-	-	-
(Losses) profit from discontinued operations before tax	7	(554)	-	-	-
Income tax expense		(1 877)	(1 654)	3 908	3 892
(Losses) profit for the year		10 721	10 729	(22 952)	(20 664)
Other comprehensive (loss) income					
Gain (losses) from revaluation of financial assets		(1 999)	(1 999)	3 288	3 288
Deferred income tax on (loss) gain from revaluation of financial assets		(14)	(14)	(318)	(318)
Other comprehensive (loss) income, net of tax		(2 013)	(2 013)	2 970	2 970
Total comprehensive (losses) income		8 708	8 716	(19 982)	(17 694)
Profit is attributable to:					
Equity holders of the Bank		10 721	10 729	(22 952)	(20 664)
from continuing operations		11 275	10 729	(22 952)	(20 664)
from discontinued operations		(554)	-	-	-
Minority interest		-	-	-	-
(Losses) profit for the year		8 708	8 716	(19 982)	(17 694)
Equity holders of the Bank		8 708	8 716	(19 982)	(17 694)
Minority interest		-	-	-	-
Basic earnings (losses) per share, net (in LTL per share)	13	0,05	0,05	-0,12	-0,11

The notes on pages 10-38 constitute an integral part of these financial statements

Chief executive Officer

Audrius Žiugžda

Chief accountant

Vita Adomaitytė

30 November 2011

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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

	FROM 07 TO 09 MONTH 2011		FROM 07 TO 09 MONTH 2010	
	Group	Bank	Group	Bank
Continuing operations				
Interest and similar income	32 012	30 665	25 974	25 201
Interest expense and similar charges	(16 747)	(16 426)	(17 673)	(17 673)
Net interest income	15 265	14 239	8 301	7 528
Fee and commission income	3 635	3 670	3 278	3 310
Fee and commission expense	(1 458)	(1 435)	(1 198)	(1 177)
Net fee and commission income	2 177	2 235	2 080	2 133
Allowance for impairment losses	(3 329)	(3 512)	(17 868)	(17 539)
Net gain on operations with securities	(396)	(396)	1 972	1 972
Net foreign exchange gain	2 052	2 056	712	723
Gain on disposal of assets	862	2	455	141
Other income	581	135	1 181	409
Administrative and other operating expenses	(11 855)	(9 844)	(8 494)	(6 578)
(Losses) profit from continuing operations	5 357	4 915	(11 661)	(11 211)
Dividends from investments in subsidiaries	-	-	-	-
(Losses) profit before income tax	5 357	4 915	(11 661)	(11 211)
Discontinued operations:				
(Losses) profit from discontinued operations before tax	(270)	-	-	-
Income tax expense	(682)	(574)	1 685	1 664
(Losses) profit for the period	4 405	4 341	(9 976)	(9 547)

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

	30-09-2011		30-09-2010	
	Group	Bank	Group	Bank
Operating activities				
Interest received	71 979	70 017	75 438	73 751
Interest paid	(45 302)	(44 982)	(61 898)	(61 804)
Net cash received from service and commission fees	6 092	6 189	5 616	5 805
Net cash received from operations in trading securities	819	819	3 290	3 290
Net cash received from operations in foreign currency	3 499	3 506	1 992	2 005
Cash received from previously written-off loans	897	447	897	573
Salaries and related payments to and on behalf of employees	(18 069)	(15 688)	(13 511)	(11 596)
Other receipts (payments)	(10 420)	(8 939)	(7 221)	(6 886)
Income tax paid	-	-	30	-
Net cash flow from operating activities before change in short-term assets and liabilities	9 495	11 369	4 633	5 138
(Increase) decrease in assets:				
Decrease in trading securities	35 627	32 707	(98 364)	(98 364)
Decrease in loans to credit and financial institutions	570	(14 770)	7 197	(4 650)
(Increase) in loans to customers	(364 662)	(349 509)	(36 003)	(51 258)
Decrease in other assets	15 198	6 772	(2 318)	2 248
Increase in liabilities				
Increase in liabilities to credit and financial institutions	77 533	77 517	66 547	75 513
Increase in deposits, special and leanding funds	244 591	244 727	88 880	89 287
Increase in other liabilities	6 322	3 369	45 436	46 391
Change	15 179	813	71 375	59 167
Net cash flow from operating activities	24 674	12 182	76 008	64 305
Investing activities				
(Purchase) of tangible and intangible fixed assets	(12 611)	(7 059)	(7 565)	(1 434)
Disposal of tangible and intangible fixed assets	3 316	1 591	3 152	994
(Acquisition) of held to maturity securities	(30 410)	(25 633)	(62 508)	(59 250)
Proceeds from redemption of held to maturity securities	22 536	22 536	15 958	15 958
(Acquisition) of available-for-sale securities	(183 940)	(180 051)	(135 424)	(123 434)
Disposal of available-for-sale securities	127 078	127 078	104 766	104 766
(Acquisition) of subsidiary	-	-	-	(7 505)
Dividends received	42	42	67	67
Net cash used in investing activities	(73 989)	(61 496)	(81 554)	(69 838)
Financing activities				
Increase in share capital	31 200	31 200	25 480	25 480
Dividends paid	-	-	-	-
Payment to minority shareholders	-	-	-	-
Debt securities issued	75 021	75 021	-	-
Debt securities repurchased and redeemed	(42 172)	(42 172)	(482)	(482)
Net cash flow from financing activities	64 049	64 049	24 998	24 998
Net increase in cash and cash equivalents	14 734	14 735	19 452	19 465
Cash and cash equivalents at 1 January	208 400	208 397	168 708	168 651
Cash and cash equivalents at 30 September	223 134	223 132	188 160	188 116

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Attributable to equity holders of the Bank

	Share capital	Share premium	Reserve capital	Statutory reserve and others reserves	Retained earnings	Total:	Minority interest	Total equity:
31 December 2009	180 358	45 681	2 611	15 595	9 939	254 184	-	254 184
Increasing of capital	24 500	980	-	-	-	25 480	-	25 480
Formation of reserve	-	-	-	441	(441)	-	-	-
Financial assets revaluation reserve	-	-	-	3 288	-	3 288	-	3 288
Recognition of deferred income tax	-	-	-	(318)	-	(318)	-	(318)
Others transfers	-	-	-	(150)	(301)	(451)	-	(451)
Profit (loss) for the year	-	-	-	-	(22 952)	(22 952)	-	(22 952)
30 September 2010	204 858	46 661	2 611	18 856	(13 755)	259 231	-	259 231
Financial assets revaluation reserve	-	-	-	(2 689)	-	(2 689)	-	(2 689)
Recognition of deferred income tax	-	-	-	498	-	498	-	498
Others transfers	-	-	-	-	(519)	(519)	-	(519)
Profit (loss) for the year	-	-	-	-	(5 340)	(5 340)	-	(5 340)
31 December 2010	204 858	46 661	2 611	16 665	(19 614)	251 181	-	251 181
Financial assets revaluation reserve	-	-	-	(1 999)	-	(1 999)	-	(1 999)
Recognition of deferred income tax	-	-	-	(14)	-	(14)	-	(14)
Others transfers	30 000	1 200	-	(15 707)	15 701	31 194	-	31 194
Profit (loss) for the year	-	-	-	-	10 721	10 721	-	10 721
30 September 2011	234 858	47 861	2 611	(1 055)	6 808	291 083	-	291 083

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve and others reserves	Retained earnings	Nuosavybės iš viso:
31 December 2009	180 358	45 681	2 611	590	15 981	8 816	254 037
Increasing of capital	24 500	980	-	-	-	-	25 480
Formation of reserve	-	-	-	-	441	(441)	-
Financial assets revaluation reserve	-	-	-	3 288	-	-	3 288
Recognition of deferred income tax	-	-	-	(318)	-	-	(318)
Profit (loss) for the year	-	-	-	-	-	(20 664)	(20 664)
30 September 2010	204 858	46 661	2 611	3 560	16 422	(12 289)	261 823
Financial assets revaluation reserve	-	-	-	(2 689)	-	-	(2 689)
Recognition of deferred income tax	-	-	-	498	-	-	498
Profit (loss) for the year	-	-	-	-	-	(3 485)	(3 485)
31 December 2010	204 858	46 661	2 611	1 369	16 422	(15 774)	256 147
	-	-	-	(1 999)	-	-	(1 999)
Financial assets revaluation reserve	-	-	-	(14)	-	-	(14)
Recognition of deferred income tax	-	-	-	-	-	-	-
Others transfers	30 000	1 200	-	-	(15 774)	15 774	31 200
Profit (loss) for the year	-	-	-	-	-	10 729	10 729
30 September 2011	234 858	47 861	2 611	(644)	648	10 729	296 063

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As of September 30 th 2011 the Bank had 487 employees (31 December 2010: 481). As of September 30 th 2011 the Group had 553 employees (31 December 2010: 545 employees).

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

The Bank had the following subsidiaries:

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

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

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

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

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

Financial risk management

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

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

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

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

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 1 CREDIT INSTITUTION ACTIVITIES

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

As of September 30 th 2011 the number of the bank's clients included 273 municipal companies and governmental companies, 58 state companies, 52 agricultural companies, 31 economic partnership, 5 276 limited liability public companies, 1 553 private companies, 626 non-profit making and public sector companies and 1 288 other organizations as well as 126 990 individuals.

As of September 30 th 2011 and December 31 st 2010 the bank controlled 5 subsidiaries: "Šiaulių banko lizingas" UAB (financial and operational leasing), "Šiaulių banko investicijų valdymas" UAB (investment management), "Šiaulių banko turto fondas" UAB, "Minera" UAB, "SBTF" UAB (real estate management). The bank owns 100% of "Šiaulių banko lizingas" UAB (acquisition value – 30 th September 2011 – LTL 5 000 thou), 100 % of "Šiaulių banko investicijų valdymas" UAB (acquisition value – 30 th September 2011 - LTL 4 040 thou), 100 % of "Šiaulių banko turto fondas" UAB (acquisition value – 30 th September 2011 -LTL 5 117 thou), 100 % of "Minera" UAB (acquisition value – 30 th September 2011 -LTL 5 505 thou), 100 % of "SBTF" UAB (acquisition value – 30 th September 2011- LTL 2 000 thou). The consolidated statements of the Group include financial statements of the bank and its subsidiaries.

NOTE 2 CASH AND CASH EQUIVALENTS

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Cash and other valuables	35 134	35 132	34 605	34 602
Mandatory reserves in national currency	74 813	74 813	67 381	67 381
Correspondent bank accounts	36 307	36 307	12 744	12 744
Banks time deposits	65 002	65 002	68 006	68 006
Correspondent account with central bank	11 878	11 878	25 664	25 664
Total:	223 134	223 132	208 400	208 397

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

NOTE 3 DUE FROM OTHER BANKS

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Due from other banks	4 147	4 147	4 147	4 147
Total:	4 147	4 147	4 147	4 147

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 4 LOANS TO CUSTOMERS

Credit risk is defined as the risk for the Group to incur losses due to the Group's customers' failure to fulfil their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's banking activities. There is also credit risk in investment activities that arise from debt securities and in the Group's asset portfolio as well as in the off-balance sheet financial instruments, such as loan commitments, guarantees and letters of credit.

The Bank regularly reviews its credit risk management policies which include lending policies, credit risk limit control, other credit risk mitigation measures as well as the internal control and internal audit of credit risk management.

The Bank takes risks only in the fields, which are well known to it and where it has long-term experience, trying to avoid excessive risk in transactions that can have negative influence to the big portion of shareholders' equity but seeks the sufficient profitability which, in terms of increasing competition, would ensure the stable Bank's position in the market and would increase the Bank's value. In assessing exposure to credit risk, the Bank adheres to the principle of prudence.

The aim of the Bank's credit risk management policy is to ensure that the conflict between interests of staff or structural units is avoided. With respect to provision of credits to clients, the principle stating that profit should not be earned at the expense of excessive credit risk is observed.

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

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Cash and balances with central banks	223 134	223 132	208 400	208 397
Loans and advances to banks	4 147	4 147	4 147	4 147
Loans and advances to customers:	1776 970	2016 319	1438 387	1657 609
Loans and advances to financial institutions	279	134 112	570	119 342
Loans to individuals (Retail)	196 695	195 767	202 569	191 321
Loans to business customers	1305 543	1686 440	1235 248	1346 946
Finance lease receivables	123 129	-	103 988	-
Trading assets:	-	-	-	-
Debt securities	46 151	46 151	81 228	78 308
Equity securities	369	369	98	98
Derivative financial instruments	-	-	-	-
Securities available for sale	-	-	-	-
Debt securities	143 540	143 540	87 626	87 626
Equity securities	19 804	1 692	15 972	1 749
Investment securities held to maturity	-	-	-	-
Debt securities	229 711	217 025	214 055	207 635
Other financial assets	24 004	1 761	35 254	12 025
Credit risk exposures relating to off-balance sheet items are as follows:			-	-
Financial guarantees	71 091	71 136	62 025	62 070
Letters of credit	4 280	4 280	4 472	4 472
Loan commitments and other credit related liabilities	173 508	171 101	94 145	89 495
September 30/ December 31	2 839 838	2 900 653	2 349 797	2 413 631

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Loans are summarised as follows:	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Loans to business customers	1 639 625	1 890 820	1 302 230	1 532 232
Loans to individuals	223 180	209 406	216 537	203 232
Gross	1 862 805	2 100 226	1 518 767	1 735 464
Allowance for impairment	85 835	83 907	80 380	77 855
Net	1 776 970	2 016 319	1 438 387	1 657 609

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Neither past due not impaired	1 537 723	1 792 775	1 281 030	1 502 817
Past due but not impaired	155 641	147 195	73 768	72 535
Impaired	169 441	160 256	163 969	160 112
Gross	1 862 805	2 100 226	1 518 767	1 735 464
Allowance for impairment	85 835	83 907	80 380	77 855
Net	1 776 970	2 016 319	1 438 387	1 657 609

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

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

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

The list of loss events:

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

Loans and advances past due but not impaired

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Past due up to 30 days	104 178	102 889	44 487	43 500
Past due 31-60 days	22 327	15 219	11 916	11 686
Past due 61-90 days	4 907	4 861	2 826	2 810
Past due more than 90 days	24 229	24 226	14 539	14 539
Total	155 641	147 195	73 768	72 535
Fair value of collateral	247 288	247 288	121 677	121 677

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Loans and advances impaired

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Impaired loans	169 441	160 256	163 969	160 112
Fair value of collateral	102 632	100 682	109 643	108 957

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:

	30-09-2011	31-12-2010
Business customers	116 221	90 965
Individuals	8 578	14 975
Gross	124 799	105 940

	30-09-2011	31-12-2010
Neither past due not impaired	90 575	74 148
Past due but not impaired	30 769	26 735
Impaired	3 455	5 057
Gross	124 799	105 940
Allowance for impairment	1 670	1 952
Net	123 129	103 988

	30-09-2011		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	2 072	31 629	33 701
residential real estate	147	42 355	42 502
airplanes	-	8 216	8 216
rolling-stock	-	-	-
production equipment	58	15 423	15 481
other equipment	811	9 666	10 477
other assets	5 490	8 932	14 422
Total:	8 578	116 221	124 799

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

	31-12-2010		
	Individuals	Business customers	Total:
Finance lease receivables by sector:			
transport vehicles	1 239	12 424	13 663
residential real estate	443	41 370	41 813
airplanes	-	9 306	9 306
rolling-stock	-	774	774
production equipment	94	14 303	14 397
other equipment	1 136	5 068	6 204
other assets	12 063	7 720	19 783
Total:	14 975	90 965	105 940

NOTE 6 SECURITIES

Trading securities	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Debt securities:				
Private enterprise bonds of the Republic of Lithuania	-	-	16 496	13 576
Government bonds of the Republic of Lithuania	25 890	25 890	63 444	63 444
Government bonds of foreign states	2 029	2 029	-	-
State companies bonds of foreign states	3 551	3 551	1 288	1 288
Private enterprise bonds of foreign states	14 681	14 681	-	-
Nuosavybės vertybiniai popieriai:				
Listed equity securities	286	286	-	-
Unlisted equity securities	-	-	2	2
Units of funds	83	83	96	96
Total:	46 520	46 520	81 326	78 406

Bank 30-09-2011	State companies debt securities		Corporate debt securities	Corporate equity securities	Investment fund units
	Treasury bills				
from AA-to AAA	-	-	1 716	-	-
from A- to A+	-	1 297	6 472	-	-
from BBB- to BBB+	3 551	26 622	5 695	-	-
from BB- to BB+	-	-	798	-	-
below už BB-	-	-	-	75	-
no rating	-	-	-	211	83
Total:	3 551	27 919	14 681	286	83

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

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Group 30-09-2011	State companies debt securities		Corporate debt securities	Corporate equity securities	Investment fund units
	Treasury bills				
from AA-to AAA	-	-	1 716	-	-
from A- to A+	-	1 297	6 472	-	-
from BBB- to BBB+	3 551	26 622	5 695	-	-
from BB- to BB+	-	-	798	-	-
below už BB-	-	-	-	75	-
no rating	-	-	-	211	83
Total:	3 551	27 919	14 681	286	83

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

Investment securities

Securities available-for-sale:

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Debt securities				
Private enterprise bonds the Republic of Lithuania	3 119	3 119	3 216	3 216
Government bonds of the Republic of Lithuania	72 103	72 103	46 594	46 594
Government bonds of foreign states	43 945	43 945	27 595	27 595
Private enterprise bonds of foreign states	24 373	24 373	10 221	10 221
Equity securities				
Listed equity securities	-	-	-	-
Unlisted equity securities	19 503	1 391	15 614	1 391
Units of funds	301	301	358	358
Total:	163 344	145 232	103 598	89 375

Securities held-to-maturity

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Debt securities				
Private enterprise bonds the Republic of Lithuania	12 686	-	6 420	-
Government bonds of the Republic of Lithuania	179 560	179 560	166 602	166 602
Government bonds of foreign states	28 336	28 336	29 250	29 250
Private enterprise bonds of foreign states	9 129	9 129	11 783	11 783
Total:	229 711	217 025	214 055	207 635

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

	Treasury bills	Municipality debt securities	Corporate debt securities
Bank 30-09-2011			
from AA-to AAA	8 036	-	6 969
from A- to A+	10 569	-	-
from BBB- to BBB+	186 645	734	2 160
from BB- to BB+	0	-	-
below už BB-	1 912	-	-
no rating	-	-	-
Total:	207 162	734	9 129

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

	Treasury bills	Municipality debt securities	Corporate debt securities
Group 30-09-2011			
from AA-to AAA	8 036	-	6 969
from A- to A+	10 569	-	-
from BBB- to BBB+	186 645	734	2 160
from BB- to BB+	0	-	-
below už BB-	1 912	-	-
no rating	-	-	12 686
Total:	207 162	734	21 815

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

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Investments in subsidiaries

	30-09-2011		
	Share in equity %	Acquisition cost	Carrying value
ŠB Lizingas UAB	100	5 000	2 000
ŠB Investicijų Valdymas UAB	100	4 040	3 113
ŠB Turto Fondas UAB	100	5 117	4 271
Minera UAB	100	5 505	5 505
SBTF UAB	100	2 000	2 000
Total:		21 662	16 889

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

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

NOTE 7 OTHER ASSETS

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Assets held for sale	33 866	-	42 961	-
Amounts receivable	24 004	1 761	35 254	12 025
Deferred expenses	3 032	2 368	2 791	2 528
Prepayments	424	382	4 491	918
Foreclosed assets	7 106	2 280	1 442	246
Other	3 360	2 553	1 533	399
Total:	71 792	9 344	88 472	16 116

In 2010 Kėdainių oda UAB, a company controlled by the subsidiary of the Bank Šiaulių banko investicijų valdymas UAB, has become material to the Group and therefore is consolidated in these financial statements. The management of the Bank is taking steps to sell the investment into Kėdainių oda UAB in the near future, therefore assets, liabilities and profit and loss related to this subsidiary are disclosed in these financial statements as related to the subsidiary that is held for sale (of sale or balance value).

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Note 7 continued

Sales income	6 895
Cost of goods sold	(6 255)
Gross profit (loss)	640
Sales and marketing expenses	-
Operating expenses	(1 474)
Other income (expenses)	-
Operating profit (loss)	(834)
Net profit (loss) from financial activities	-
(Loss) profit before income tax	(834)
Income tax	280
(Loss) profit from before impairment provision	(554)
(Loss) related to an impairment provision regarding the impairment of assets held (see below)	-
Net profit (loss) for the year	(554)

Identified that the recoverable amount is not lower than the book value of the assets therefore no impairment has been recognised.

Long term assets	9 988
Short term assets (except for cash & cash equivalents)	4 235
Cash & cash equivalents	0
Deferred income tax assets	338
Total assets	14 561
Long term liabilities	0
Short term liabilities	1 865
Total liabilities	1 865
Total net assets related to discontinued operations	12 696
Net assets attributable to Group	12 696

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	7 037	7 045	26 417	26 441
Time deposits	102 038	102 038	62 317	62 317
Total:	109 075	109 083	88 734	88 758
Loans received:				
Loans from other banks	74 385	74 385	89 919	89 919
Loans from international organisations	52 806	52 806	57 251	57 251
Loans from financial institutions	211 562	211 562	133 163	133 163
Total:	338 753	338 753	280 333	280 333
Total:	447 828	447 836	369 067	369 091

NOTE 9 DUE TO CUSTOMERS

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	29 344	29 344	28 388	28 388
Local government institutions	87 105	87 105	58 364	58 364
Governmental and municipal companies	44 319	44 319	49 940	49 940
Corporate entities	183 312	183 543	127 925	128 020
Non-profit organisations	8 828	8 828	8 361	8 361
Individuals	141 934	141 934	129 131	129 131
Unallocated amounts due to customers	14 885	14 885	3 698	3 698
Total demand deposits:	509 727	509 958	405 807	405 902
Time deposits:				
National government institutions	8 585	8 585	10 037	10 037
Local government institutions	4 190	4 190	801	801
Governmental and municipal companies	76 625	76 625	102 771	102 771
Corporate entities	210 383	210 383	154 510	154 510
Non-profit organisations	9 137	9 137	8 589	8 589
Individuals	1 104 132	1 104 132	989 784	989 784
Total time deposits:	1 413 052	1 413 052	1 266 492	1 266 492
Total:	1 922 779	1 923 010	1 672 299	1 672 394

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 10 SPECIAL AND LENDING FUNDS

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Special funds	11 868	11 868	9 289	9 289
Lending funds	13 074	13 074	18 722	18 722
Total:	24 942	24 942	28 011	28 011

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

NOTE 11 DEBT SECURITIES IN ISSUE

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
260 days coupon bonds in LTL with rate of 3,8 per cent, maturity 05-07-2011	-	-	5 291	5 291
276 days coupon bonds in LTL with rate of 4,5 per cent, maturity 07-05-2012	15 104	15 104	-	-
555 days coupon bonds in LTL with rate of 5,25 per cent, maturity 06-03-2013	15 069	15 069	-	-
505 days coupon bonds in LTL with rate of 4,5 per cent, maturity 03-01-2013	537	537	-	-
367 days coupon bonds in LTL with rate of 4,9 per cent, maturity 24-09-2012	7 692	7 692	-	-
Total:	38 402	38 402	5 291	5 291

NOTE 12 OTHER LIABILITIES

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Accrued charges	4 707	4 160	3 399	2 934
Deferred income	1 204	791	922	519
Advances received from the buyers of assets	1 558	-	1 699	-
Amounts payable for finance lease agreements	3 378	-	1 503	-
Payable dividends	41	41	67	67
Other liabilities	969	509	293	200
Total:	11 857	5 501	7 883	3 720

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 13 SHARE CAPITAL

As of 30 September 2011 the Bank's share capital comprised 234 857 533 ordinary registered shares with par value of LTL 1 each. Authorized capital was registered in the Register of Legal Entities on 4 August 2011, by additional contributions in the amount of LTL 30 million .

Shareholders including the European Bank for Reconstruction and Development, Trade-house Aiva UAB, Mintaka UAB, Company Group Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Audrius Žiugžda, Arūnas Užupis, Daiva Kiburienė, Vita Adomaitytė and Donatas Savickas comprise the group of shareholders, whose votes are calculated jointly. As of 30 September 2011, this group possessed 43.39 percent of the authorised capital and votes of the Bank.

As of 30 September 2011, the Bank had 3 805 shareholders (31 December 2010 - 3 601).

Shareholder	Share of votes held together with the related persons, %
The European Bank for Reconstruction and Development (EBRD);	19,57
Gintaras Kateiva	6,24

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 2010, 2011 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.

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

(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	30-09-2011	30-09-2010
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	10 729	(20 664)
Weighted average number of issued shares (thousand of shares)	211 121	189 332
Basic earnings per share (in LTL per share)	0,05	-0,11

Group	30-09-2011	30-09-2010
Profit (loss) for the year attributable to equity holders of the Bank (in LTL thousand)	10 721	(22 952)
Weighted average number of issued shares (thousand of shares)	211 121	189 332
Basic earnings per share (in LTL per share)	0,05	-0,12

NOTE 14 NET INTEREST INCOME

	30-09-2011		30-09-2010	
	Group	Bank	Group	Bank
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	1 474	4 840	728	5 302
on loans to customers	65 890	66 154	64 122	64 234
on debt securities	14 447	12 971	12 344	11 740
on finance leases	5 645	0	6 656	0
Total interest income	87 456	83 965	83 850	81 276
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(9 973)	(9 973)	(4 794)	(4 794)
on customer deposits and other repayable funds	(33 204)	(32 882)	(51 384)	(51 290)
on debt securities issued	(314)	(314)	(167)	(167)
compulsory insurance of deposits	(6 121)	(6 121)	(5 465)	(5 465)
Total interest expense	(49 612)	(49 290)	(61 810)	(61 716)
Net interest income	37 844	34 675	22 040	19 560

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 15 NET FEE AND COMMISSION INCOME

	30-09-2011		30-09-2010	
	Group	Bank	Group	Bank
Fee and commission income:				
for money transfer operations	6 349	6 414	5 332	5 415
for payment card services	1 355	1 364	1 188	1 190
for base currency exchange	1 153	1 157	1 030	1 030
for operations with securities	109	109	91	91
other fee and commission income	1 122	1 112	1 191	1 243
Total fee and commission income	10 088	10 156	8 832	8 969
Fee and commission expense:				
for payment card services	(2 822)	(2 822)	(2 250)	(2 250)
for money transfer operations	(1 100)	(1 071)	(858)	(856)
for operations with securities	(63)	(63)	(49)	(49)
for base currency exchange	(2)	(2)	-	(2)
other fee and commission expenses	(9)	(9)	(59)	(7)
Total fee and commission expense	(3 996)	(3 967)	(3 216)	(3 164)
Net fee and commission income	6 092	6 189	5 616	5 805

NOTE 16 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	30-09-2011		30-09-2010	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(18 398)	(15 724)	(13 179)	(11 264)
Rent and maintenance of premises	(3 061)	(3 021)	(2 491)	(2 451)
Office equipment maintenance	(804)	(789)	(701)	(694)
Depreciation of fixed tangible assets	(3 203)	(2 362)	(3 099)	(2 303)
Amortisation of intangible assets	(177)	(172)	(210)	(207)
Transportation, post and communications expenses	(1 741)	(1 469)	(1 500)	(1 281)
Real estate tax and other taxes	(1 132)	(207)	(679)	(200)
Advertising and marketing expenses	(477)	(450)	(229)	(223)
Training and business trip expenses	(73)	(61)	(28)	(23)
Charity	(195)	(185)	(85)	(62)
Service organisation expenses	(462)	(452)	(437)	(433)
Other operating expenses	(1 848)	(1 463)	(2 601)	(1 562)
Total:	(31 571)	(26 355)	(25 239)	(20 703)

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 17 RELATED-PARTY TRANSACTIONS

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

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

During 2010, 2011 a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

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

	Balances of	30-09-2011	Balances of	31-12-2010
	deposits	Balances of	deposits	Balances of
		loans		loans
Members of the Council and the Board	1 668	6 387	921	6 784
Other related parties (excluding subsidiaries of the Bank)	9 846	204 228	4 705	233 488
Total:	11 514	210 615	5 626	240 272

Transactions with EBRD:

The balance of the Bank's loans received from the EBRD . As of September 30 th 2011 the total value of the EBRD loan was LTL 92 918 thou (in 31-12-2010 – LTL 95 950 thou). The interest related with the loan as well as other expenses comprised LTL 3 901 thou on 30 September 2011 (LTL 3 029 thou on 31 December 2010).

Balances of transactions with the subsidiaries are given below:

	Balances of	30-09-2011	Balances of	31-12-2010
	deposits	Balances of	deposits	Balances of
		loans		loans
Non-financial institutions	231	141 417	95	128 466
Financial institutions	8	133 833	24	118 772
Total:	239	275 250	119	247 238

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

Transactions with subsidiaries:

Assets	30-09-2011	31-12-2010
Loans	275 250	247 238
Other assets	33	21
Liabilities and shareholders' equity		
Demand deposits	239	119
Bank's investment	16 889	16 889
Other liabilities	68	-
	30-09-2011	30-09-2010
Income		
Interest	6 623	7 423
Commission income	118	164
Income from foreign exchange operations	7	4
Dividends	-	-
Other income	140	143
Expenses		
Interest	(2)	-
Commission charges	-	-
Operating expenses	(25)	(16)

NOTE 18 CAPITAL MANAGEMENT

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

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

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

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%. Capital adequacy (solvency) ratio is calculated as a ratio of the capital of the Bank and the capital required to cover credit, trading book and operating risks multiplied by 0.08 and presented in percentage points.

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

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

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 September 30 th 2011 and of December 31 st 2010. During those two years, the Group complied with capital requirements to which it is subject.

	30-09-2011		31-12-2010	
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	234 858	234 858	204 858	204 858
Share premium	47 861	47 861	46 661	46 661
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	(3 913)	-	8 678	8 375
Not audited result	-	-	(28 292)	(24 149)
Others reserve	960	648	16 667	16 422
Less: financial assets revaluation reserve	(2 015)	(644)	(2)	-
Less: Intangible assets	(685)	(660)	(608)	(606)
Total Tier 1 capital	279 677	284 674	250 573	254 172
Tier 2 capital				
85 % financial assets revaluation reserve	-	-	-	1 164
Total Tier 2 capital	-	-	-	1164
Less Investments in other credit or financial institutions	-	(1 663)	-	(1 762)
Total capital:	279 677	283 011	250 573	253 574
Capital requirement:				
Standardised approach credit risk	154 703	155 368	131 965	131 810
Traded debt instruments	1 322	1 322	2 039	1 784
Equities	44	44	12	12
Foreign exchange risk exposure	11 120	12 065	1 882	3 050
Operational risk by Basic indicator's method	8 084	7 600	8 084	7 600
Total capital requirement:	175 273	176 399	143 982	144 256
Capital ratio, %	12,77	12,84	13,92	14,06

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

NOTE 19 LIQUIDITY

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

The liquidity risk management

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

The liquidity risk management is regulated by the Liquidity Risk Management Procedures approved by the Board of the Bank. The management of the current and non-current liquidity risk is distinguished in the mentioned procedures. The current liquidity is based on the control of the incoming and outgoing cash flow. The non-current liquidity is managed on the limit system basis.

As of September 30 th 2011 the above Group's ratio was 40,24 per cent (31-12-2010 - 44,61 per cent), and the Bank's – 41,12 per cent (31-12-2010 – 46,00 per cent.).

The tables below disclose the assets and liabilities as of March 31 st 2011 according to their remaining maturity defined in the agreements. However, the real maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward

The structure of the Group's liabilities by maturity as of September 30 th 2011 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	223 289	64 472	95 167	163 869	321 406	837 703	854 551	178 299	2 738 756
Total liabilities and shareholder's equity	539 063	192 237	369 659	409 591	508 580	243 723	181 709	294 194	2 738 756
Net liquidity gap	(315 774)	(127 765)	(274 492)	(245 722)	(187 174)	593 980	672 842	(115 895)	-

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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 31 st 2010 was as follows.:

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

The structure of the Bank's liabilities by maturity as of September 30 th 2011 was as follows.:

	Demand	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	more than 3 years	maturity undefined	Total:
Total assets	223 140	84 164	124 338	244 586	382 847	753 653	796 556	126 470	2 735 754
Total liabilities and shareholder's equity	538 181	187 560	369 565	409 428	508 329	243 676	181 709	297 306	2 735 754
Net liquidity gap	(315 041)	(103 396)	(245 227)	(164 842)	(125 482)	509 977	614 847	(170 836)	-

The structure of the Bank's liabilities by maturity as of December 31st 2010 was as follows.:

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

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(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.

	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Group 30-09-2011							
Liabilities							
Due to banks	-	40 371	14 104	94 579	287 475	37 575	474 104
Due to customers	-	671 315	354 609	808 353	87 826	7 621	1 929 724
Debt securities in issue	-	-	-	23 684	16 803	-	40 487
Special and lending fund	-	11 961	36	1 802	11 600	-	25 399
Total liabilities (contractual maturity dates)	-	723 647	368 749	928 418	403 704	45 196	2 469 714

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

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

	maturity undefined	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total:
Bank 30-09-2011							
Liabilities							
Due to banks	-	40 379	14 104	94 579	287 475	37 575	474 112
Due to customers	-	671 546	354 609	808 353	87 826	7 621	1 929 955
Debt securities in issue	-	-	-	23 684	16 803	-	40 487
Special and lending fund	-	11 961	36	1 802	11 600	-	25 399
Total liabilities (contractual maturity dates)	-	723 886	368 749	928 418	403 704	45 196	2 469 953

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

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

NOTE 20 MARKET RISK

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

Foreign exchange risk

The foreign exchange risk management is regulated by the Procedures for Foreign Currency 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 carry out speculative FX operations expecting to gain from favourable changes in currency exchange. 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 Currency Risk Management.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. The Bank also calculates Total open position (TOP), which is the higher of the separately added short and long positions. As of September 30 th 2011 the TOP to capital ratio was: Group's – 2,84 % (31-12-2010: 0,55 %), Bank's – 2,81 % (31-12-2010: 0,55 %).

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 maximum fluctuations of currency exchange rate in 2010 and prognosis that exchange rate fluctuations will remain similar in 2011. The Group does not evaluate FX risk on open EUR position as LTL is pegged to EUR at a fixed rate (see General information).

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

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

	30-09-2011		31-12-2010	
	Impact on profit or loss, on equity		Impact on profit or loss, on equity	
	Group	Bank	Group	Bank
USD	6	7	36	41
GBP	120	120	4	4
DKK	2	2	2	2
SEK	115	115	11	11
LVL	4	4	1	1
other currencies	339	339	31	31
Total:	586	587	85	90

The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 587 thousand in 2011 (2010: LTL 90 thousand) and the Group's annual profit and makes LTL 586 thousand in 2011 (2010: LTL 85 thousand) higher/lower impact on profit.

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

The Group's open positions of prevailing currencies as of September 30 th 2011 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	50 314	10 481	60 795	930 728	1 747 233	2 738 756
Liabilities and shareholder's equity	48 363	2 530	50 893	801 717	1 886 146	2 738 756
Net balance sheet position	1 951	7 951	9 902	129 011	(138 913)	-
Currency swaps	(2 031)	-	(2 031)	2 042	-	11
Net open position	(80)	7 951	7 871	131 053	(138 913)	11

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

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

ŽThe Bank's open positions of prevailing currencies as of September 30 th 2011 were as follow:

	USD	Others currencies	Total currencies:	EUR	LTL	Total:
Assets	50 313	10 481	60 794	942 527	1 732 433	2 735 754
Liabilities and shareholder's equity	48 363	2 530	50 893	801 710	1 883 151	2 735 754
Net balance sheet position	1 950	7 951	9 901	140 817	(150 718)	-
Currency swaps	(2 031)	-	(2 031)	2 042	-	11
Net open position	(81)	7 951	7 870	142 859	(150 718)	11

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

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

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

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.

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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 30-09-2011

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	358 663	528 169	793 378	151 194	454 529	452 823	2 738 756
Liabilities and shareholder's equity	414 537	417 190	468 557	479 623	98 601	860 248	2 738 756
Net interest sensitivity gap at 30 June 2010	(55 874)	110 979	324 821	(328 429)	355 928	(407 425)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(535)	925	2 030	(821)	-	-	1 599

Group 31-12-2010

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	266 843	487 776	671 754	58 343	398 490	451 408	2 334 614
Liabilities and shareholder's equity	303 182	402 234	461 783	384 335	59 414	723 666	2 334 614
Net interest sensitivity gap at 31 December 2010	(36 339)	85 542	209 971	(325 992)	339 076	(272 258)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(348)	713	1 312	(815)	-	-	862

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

Bank 30-09-2011

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	380 284	538 310	802 604	228 333	441 835	344 388	2 735 754
Liabilities and shareholder's equity	414 537	417 190	468 557	479 623	98 601	857 246	2 735 754
Net interest sensitivity gap at 30 June 2010	(34 253)	121 120	334 047	(251 290)	343 234	(512 858)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(328)	1 009	2 088	(628)	-	-	2 141

Bank 31-12-2010

	Demand and less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	more than 1 year	non monetary	Total:
Assets	287 795	488 439	706 037	119 611	394 568	338 204	2 334 654
Liabilities and shareholder's equity	303 182	402 234	461 783	384 335	59 414	723 706	2 334 654
Net interest sensitivity gap at 31 December 2010	(15 387)	86 205	244 254	(264 724)	335 154	(385 502)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(147)	718	1 527	(662)	-	-	1 436

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Operational risk

The goals of the Bank's operational risk management include such areas as implementation of the internal control, processes and measures of the operational risk mitigation, prevention of accidents and losses; proper identification and assessment of the operational risks; concentration of funds and time on the establishment and management of the major operational risk sources in every area of the Bank's activity; proper arrangement of the internal control environment and monitoring constantly reviewing the applied methods and learning from the past.

Operational risk management system at the Bank covers all the areas of banking activities: work with cash (cash values), investment services (deposits, investment and pension funds), account payments (bank accounts, direct debit, fee collection), e-banking (SB linija, SMS bank, payment card), credits (credits, factoring, guarantees and documentary settlements), leasing, trading in foreign currency, etc.

The bank distinguishes a reputation risk as an operational risk sub-group. The reputation risk is the existing or foreseen risk, which might have a negative impact on the Bank's income and (or) capital with regard to unfavourable opinion about the Bank's reputation and which is made by the clients, parties of the agreement, shareholders and investors.

Considering the nature and scope of the banking activities, the following key sources of the operational risk are distinguished within the Bank:

1. Information systems (technical and software equipment, disorders in telecommunication systems, etc.)
2. Influence of human factors:
 - 2.1. A suspected unintended error or action of an employee;
 - 2.2. The bank's employees errors without establishing a motive of action;
 - 2.3. Suspected illegal actions, fraud, deceit made by the bank's employees;
 - 2.4. Illegal actions, fraud, deceit made by non- bank's employees.
3. Working conditions (violation of the safe working conditions, etc.)
4. The forces of nature.

In order to collect information about operational risk events, the Bank accumulates the historical data related to operational risk and losses caused by it. For this purpose the Operational Risk Event Registration procedure is approved by the Bank's Board.

To ensure continuity of the activities the Bank has approved the Activity Continuity Plan and Procedures for Provision of Banking Products, in case of the incident occurring in the Bank's Information Systems. According to the policies mentioned above the particular procedures and actions are taken in case of a contingency event and emergency cases seeking to minimize and avoid operational risks and loss of values if the daily activities of the Bank are disturbed.

The Bank's operational risk management system is supplemented by the Bank's Activity Continuity Plan and the Information Security and Emergency Management systems created and installed by the Information technologies agency "Blue Bridge".

Referring to the scope of the Bank's activities and possibilities to take advantage of the historical data with regard to operational risk, the Bank has decided to apply a basic indicator approach indicated in the regulations for the Capital adequacy ratios.

Stress tests

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

FINANCIAL STATEMENT ŠIAULIŲ BANKAS AB

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

21 PASTABA INFORMACIJA APIE SEGMENTUS

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 2011 and in the statement of comprehensive income :

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total:
Internal	6 621	(3 362)	(694)	(2 565)	-	-
External	28 052	7 179	336	2 277	-	37 844
Net interest income	34 673	3 817	(358)	(288)	-	37 844
Internal	6 739	(3 468)	(694)	(2 577)	-	-
External	34 123	7 160	376	2 277	-	43 936
Net interest, fee and commissions income	40 862	3 692	(318)	(300)	-	43 936
Provision expenses	(6 448)	(166)	312	76		(6 226)
Internal	(25)	(127)	(44)	(51)	247	-
External	(23 796)	(2 145)	(504)	(1 746)	-	(28 191)
Operating expenses	(23 821)	(2 272)	(548)	(1 797)	247	(28 191)
Amortisation charges	(172)	(5)	-	-		(177)
Depreciation charges	(2 362)	(753)	(11)	(77)		(3 203)
Internal	153	93	-	1	(247)	-
External	4 171	609	382	1 851	-	7 013
Net other income	4 324	702	382	1 852	(247)	7 013
Profit before tax	12 383	1 198	(183)	(246)	-	13 152
Losses from discontinued operations	-	-	-	-	(554)	(554)
Income tax	(1 654)	(213)	-	(10)	-	(1 877)
Profit per segment after tax	10 729	985	(183)	(256)	(554)	10 721
Profit for the year attributable to equity holders of the Bank	10 729	985	(183)	(256)	(554)	10 721
Total segment assets	2 735 754	142 799	41 185	108 130	(289 112)	2 738 756
Total segment liabilities	2 439 691	139 434	36 251	104 520	(272 223)	2 447 673
Net segment assets (shareholders' equity)	296 063	3 365	4 934	3 610	(16 889)	291 083

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

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

	Bankininkystė	Lizingas	Investicijų valdymas	Nekilnojamojo turto vystymas	Eliminavimai	Iš viso
Internal	7 423	(4 574)	(1 313)	(1 536)		-
External	12 137	8 133	751	1 019		22 040
Net interest income	19 560	3 559	(562)	(517)	-	22 040
Internal	7 587	(4 736)	(1 314)	(1 537)		-
External	17 778	8 083	776	1 019		27 656
Net interest, fee and commissions income	25 365	3 347	(538)	(518)	-	27 656
Provision expenses	(36 169)	(1 535)	(18)	(295)		(38 017)
Internal	16	(121)	(18)	(22)	145	-
External	(18 209)	(1 526)	(444)	(1 751)		(21 930)
Operating expenses	(18 193)	(1 647)	(462)	(1 773)	145	(21 930)
Amortisation charges	(207)	(1)	-	(2)		(210)
Depreciation charges	(2 303)	(707)	(11)	(78)		(3 099)
Internal	147	(1)	3 507	(61)	(3 592)	-
External	6 804	698	(252)	1 490		8 740
Net other income	6 951	697	3 255	1 429	(3 592)	8 740
Profit before tax	(24 556)	154	2 226	(1 237)	(3 447)	(26 860)
Income tax	3 892	16	-	-		3 908
Profit per segment after tax	(20 664)	170	2 226	(1 237)	(3 447)	(22 952)
Profit for the year attributable to equity holders of the Bank	(20 664)	170	2 226	(1 237)	(3 447)	(22 952)
Total segment assets	2 277 199	128 419	45 065	72 384	(244 567)	2 278 500
Total segment liabilities	2 015 376	126 074	39 698	65 799	(227 678)	2 019 269
Net segment assets (shareholders' equity)	261 823	2 345	5 367	6 585	(16 889)	259 231