ŠIAULIŲ BANKAS AB

INDEPENDENT AUDITOR'S REPORT FINANCIAL STATEMENTS AND ANNUAL REPORT

31 DECEMBER 2009

CONTENTS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers UA
J. Jasinskio 16B
LT-01112 Vilnius
Lithuania
Telephone +370 (5) 239 2300
Facsimile +370 (5) 239 2301
E-mail vilnius@lt.pwc.com
www.pwc.com/lt

Independent auditor's report

To the Shareholders of Šiaulių bankas AB

We have audited the accompanying stand alone and consolidated financial statements (the 'financial statements') of Šiaulių bankas AB (the 'Bank') and its subsidiaries (the 'Group') set out on pages 5 - 87 which comprise the stand alone and consolidated statement of financial position as at 31 December 2009 and the stand alone and consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

PRICEWATERHOUSECOOPERS

Report on other legal and regulatory requirements

Furthermore, we have read the Consolidated Annual Report for the year ended 31 December 2009 set out on pages 88 - 144 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2009.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rimvydas Jogėla
Auditor's Certificate No. 000457

Vilnius, Republic of Lithuania
9 March 2010

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

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

		Year ended			
		31 December 2009		31 December 2008	
	Notes	Group	Bank	Group	Bank
Interest and similar income	1	142,800	140,474	140,234	134,457
Interest expense and similar charges	1	(113,601)	(112,878)	(92,268)	(91,723)
Net interest income		**29,199**	**27,596**	**47,966**	**42,734**
Fee and commission income	2	12,620	12,935	14,887	15,221
Fee and commission expense	2	(4,472)	(4,399)	(5,366)	(5,247)
Net fee and commission income		**8,148**	**8,536**	**9,521**	**9,974**
Allowance for impairment losses	7	(50,444)	(49,794)	(8,802)	(7,748)
Net gain from operations with securities	3	4,945	321	6,009	(1,934)
Net foreign exchange gain		2,402	2,402	2,582	2,571
(Loss) gain from disposal of assets	5	(113)	14	249	8
Other income	6	1,130	508	1,141	559
Administrative and other operating expenses	4	(36,647)	(31,713)	(41,078)	(35,831)
Operating (loss) profit		**(41,380)**	**(42,130)**	**17,588**	**10,333**
Dividends from investments in subsidiaries		-	6,377	-	8,797
(Loss) profit before income tax		**(41,380)**	**(35,753)**	**17,588**	**19,130**
Income tax (expense)/income	8	5,829	5,639	(1,806)	(1,605)
Net (loss) profit		**(35,551)**	**(30,114)**	**15,782**	**17,525**
Other comprehensive (loss) income					
Gain (loss) from revaluation of financial assets		96	1,467	(1,118)	(1,118)
Deferred income tax on (loss) gain from revaluation of financial assets		(197)	(197)	78	78
Other comprehensive (loss) income, net of tax		(101)	1,270	(1,040)	(1,040)
Total comprehensive (loss) income		**(35,652)**	**(28,844)**	**14,742**	**16,485**
(Loss) profit attributable to:					
Equity holders of the Bank		(35,551)	(30,114)	13,341	17,525
Minority interest	25	-	-	2,441	-
		(35,551)	(30,114)	15,782	17,525
Total comprehensive (loss) income attributable to:					
Equity holders of the Bank		(35,652)	(28,844)	12,301	16,485
Minority interest		-	-	2,441	-
		(35,652)	(28,844)	14,742	16,485
Basic and diluted (loss) earnings per share (in LTL per share)	9	(0.20)	(0.17)	0.07	0.10

The accounting policies and notes on pages 10 to 87 constitute an integral part of these financial statements.

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

THE GROUP'S AND THE BANK'S STATEMENT OF FINANCIAL POSITION

		31 December 2009		31 December 2008	
	Notes	**Group**	**Bank**	**Group**	**Bank**
ASSETS					
Cash and cash equivalents	10	168,708	168,651	142,939	142,927
Trading securities	12	3,094	121	3,689	714
Due from other banks	11	2,214	2,214	1,220	1,220
Loans to customers	13	1,434,328	1,605,635	1,490,014	1,674,541
Finance lease receivables	14	101,412	-	128,836	-
Investment securities:					
- available-for-sale	15	86,236	72,083	36,860	21,336
- held-to-maturity	15	146,041	143,068	150,012	147,038
Investments in subsidiaries	16	-	9,384	-	2,135
Intangible assets	17	605	600	791	780
Property, plant and equipment	18	52,203	45,179	56,359	46,290
Income tax prepayment		2,468	2,221	1,002	-
Deferred tax asset		5,416	5,224	-	-
Inventories	19	34,845	-	24,797	-
Other financial assets	19	26,775	1,215	28,918	7,810
Other non-financial assets	19	9,453	3,675	14,137	4,894
Total assets		**2,073,798**	**2,059,270**	**2,079,574**	**2,049,685**
LIABILITIES					
Due to other banks and financial institutions	20	246,272	237,315	454,835	445,945
Due to customers	21	1,528,824	1,528,840	1,259,750	1,259,755
Debt securities in issue	23	4,155	4,155	24,997	24,997
Special and lending funds	22	31,292	31,292	30,699	30,699
Current income tax liabilities		-	-	543	526
Deferred income tax liabilities	8	-	-	98	98
Other financial liabilities	24	2,110	-	3,845	
Other non-financial liabilities	24	6,961	3,631	10,183	4,784
Total liabilities		**1,819,614**	**1,805,233**	**1,784,950**	**1,766,804**
EQUITY					
Capital and reserves attributable to equity holders of the Bank					
Share capital	26	180,358	180,358	180,358	180,358
Share premium	26	45,681	45,681	45,681	45,681
Reserve capital	26	2,611	2,611	2,611	2,611
Other reserves	26	10,000	10,000	-	-
Statutory reserve	26	6,376	5,981	3,683	3,405
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	25	**-**	**-**	**4,967**	**-**
Total equity		**254,184**	**254,037**	**294,624**	**282,881**
Total liabilities and equity		**2,073,798**	**2,059,270**	**2,079,574**	**2,049,685**

These financial statements were approved by the Bank's Board and signed on behalf of the Board on 8 March 2010 by:

Algirdas Butkus
Chairman of the Board

Vita Adomaitytė
Chief Financial Officer

The accounting policies and notes on pages 10 to 87 constitute an integral part of these financial statements.

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

THE group's STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Bank								Minority interest	Total equity
	Notes	Share capital	Share premium	Reserve capital	Financial assets reva-luation	Statutory reserve	Other reserves	Retained earnings	Total		
31 December 2007		**161,033**	**65,006**	**2,611**	**360**	**1,743**	**-**	**49,824**	**280,577**	**8,629**	**289,206**
Dividends	28	-	-	-	-	-	-	(3,221)	(3,221)	-	(3,221)
Dividends to minority	25	-	-	-	-	-	-	-	-	(6,103)	(6,103)
Formation of statutory reserve		-	-	-	-	1,940	-	(1,940)	-	-	-
Bonus issue of share capital	26	19,325	(19,325)	-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	(1,040)	-	-	13,341	12,301	2,441	14,742
31 December 2008		**180,358**	**45,681**	**2,611**	**(680)**	**3,683**	**-**	**58,004**	**289,657**	**4,967**	**294,624**
Dividends to minority	25	-	-	-	-	-	-	-	-	(3,923)	(3,923)
Formation of statutory reserve		-	-	-	-	2,514	-	(2,514)	-	-	-
Formation of other reserves	26	-	-	-	-	-	10,000	(10,000)	-	-	-
Reduction in minority interest		-	-	-	-	179	-	-	179	(1,044)	(865)
Total comprehensive loss		-	-	-	(101)	-	-	(35,551)	(35,652)	-	(35,652)
31 December 2009		**180,358**	**45,681**	**2,611**	**(781)**	**6,376**	**10,000**	**9,939**	**254,184**	**-**	**254,184**

The accounting policies and notes on pages 10 to 87 constitute an integral part of these financial statements.

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

THE BANK'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Reserve capital	Financial assets revaluation	Statutory reserve	Other reserves	Retained earnings	Total
31 December 2007		**161,033**	**65,006**	**2,611**	**360**	**1,445**		**39,162**	**269,617**
Dividends	28	-	-	-	-	-		(3,221)	(3,221)
Formation of statutory reserve		-	-	-	-	1,960		(1,960)	-
Bonus issue of share capital	26	19,325	(19,325)	-	-	-		-	-
Total comprehensive income		-	-	-	(1,040)	-		17,525	16,485
31 December 2008		**180,358**	**45,681**	**2,611**	**(680)**	**3,405**	**-**	**51,506**	**282,881**
Formation of statutory reserve	26	-	-	-	-	2,576	-	(2,576)	-
Formation of other reserves	26	-	-	-	-	-	10,000	(10,000)	-
Total comprehensive loss		**-**	**-**	**-**	1,270	**-**	-	(30,114)	(28,844)
31 December 2009		**180,358**	**45,681**	**2,611**	**590**	**5,981**	**10,000**	**8,816**	**254,037**

The accounting policies and notes on pages 10 to 87 constitute an integral part of these financial statements.

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

THE GROUP'S AND THE BANK'S STATEMENT OF CASH FLOWS

		Year ended			
		31 December 2009		31 December 2008	
	Notes	Group	Bank	Group	Bank
Operating activities					
Interest received		140,836	138,683	138,355	132,578
Interest paid		(110,093)	(109,370)	(90,779)	(90,234)
Fees and commissions received		12,620	12,935	14,887	15,221
Fees and commissions paid		(4,472)	(4,399)	(5,366)	(5,247)
Cash inflows from trade in trading securities		(268)	(268)	(1,261)	(1,289)
Net income from foreign exchange operations		2,616	2,616	2,582	2,692
Recoveries on loans previously written off		313	72	195	82
Salaries and related payments to and on behalf of employees		(20,399)	(17,809)	(25,088)	(21,936)
Other cash receipts, sale of assets		1,130	508	1,390	567
Other cash payments		(15,062)	(13,486)	(17,780)	(15,401)
Income tax paid		(2,646)	(2,627)	(1,559)	(2,057)
Net cash flow from (used in) operating activities before change in operating assets and liabilities		**4,575**	**6,855**	**15,576**	**14,976**
Change in operating assets and liabilities:					
Decrease in trading securities		977	977	14,193	8,052
Decrease (increase) in loans to credit and financial institutions		14,864	43,343	2,665	(15,062)
Decrease (increase) in loans to customers		21,557	(16,592)	(117,302)	(121,688)
(Increase) decrease in other current assets		(5,529)	5,673	(14,352)	(5,564)
Increase in liabilities					
(Decrease) in liabilities to credit and financial institutions		(206,352)	(206,419)	(51,257)	(51,333)
Increase in deposits		263,355	263,366	81,603	75,877
Increase (decrease) in special and lending funds		593	593	(5,851)	(5,393)
(Decrease) increase in other liabilities		(3,169)	(201)	(880)	5,515
Change		**86,296**	**90,740**	**(91,181)**	**(109,596)**
Net cash flow from/ (used in) operating activities		**90,871**	**97,595**	**(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		3,217	2,932	6,498	5,970
(Purchase) of held-to-maturity securities		(2,846)	(2,846)	(14,492)	(11,518)
Proceeds from redemption of held-to-maturity securities		6,816	6,816	28,655	28,655
Dividends received		4,829	6,582	8,040	8,912
(Purchase) of available-for-sale securities		(124,189)	(125,560)	(34,060)	(29,491)
Sale of available-for-sale securities		76,279	76,279	20,764	20,764
(Purchase) of minority interest		-	(12,022)	-	-
Net cash flow from (used in) investing activities		**(39,292)**	**(51,028)**	**880**	**13,792**
Financing activities					
Increase in share capital	26	-	-	-	-
Dividends paid		(1)	(1)	(3,220)	(3,220)
Dividends paid to minority shareholders		(4,967)	-	(6,103)	-
Debt securities in issue		40,387	40,387	55,710	55,710
Redemption of debt securities in issue		(61,229)	(61,229)	(59,263)	(59,263)
Net cash flow from (used in) financing activities		**(25,810)**	**(20,843)**	**(12,876)**	**(6,773)**
Net increase (decrease) 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	**10**	**168,708**	**168,651**	**142,939**	**142,927**

The accounting policies and notes on pages 10 to 87 constitute an integral part of these financial statements.

(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. At the end of the reporting period the Bank had 14 branches and 38 client service units (2008: 14 branches and 45 client service units). As at 31 December 2009 the Bank had 475 employees (31 December 2008: 522). As at 31 December 2009 the Group had 530 employees (31 December 2008: 578 employees).

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities, as well as performs other activities set forth in the Law on Commercial Banks (except for operations with precious metals).

The Bank's shares are listed on the Official List of the Vilnius Stock Exchange – AB NASDAQ OMX Vilnius.

The Bank had the following subsidiaries:
- Šiaulių Banko Lizingas UAB (hereinafter – SB Lizingas, finance and operating lease activities),
- Šiaulių Banko Investicijų Valdymas UAB (hereinafter SB Investicijų Valdymas, investment management activities),
- Šiaulių Banko Turto Fondas UAB (hereinafter – SB Turto Fondas, real estate management activities),

Investments in subsidiaries are described in more detail in Note 16 *Investments in subsidiaries.*

The Bank's shareholders structure is disclosed in Note 26 *Share capital*.

Financial crisis and its impact on Šiaulių bankas
Nearly all industries in Lithuania, not excluding banks, were heavily affected by the financial crisis. The GDP contraction, rise in unemployment rates, heavier taxation, reduction of salaries and other benefits have had a visible impact on the financial stability of the clients. A portion of past due and impaired debts has increased as a result of impaired solvency of the Bank's clients. As a result, a more conservative approach has been adopted in assessing the financial position of borrowers and the ability to repay the loan. Also, lower credibility of the Litas and speculations about the devaluation of the domestic currency led to a drastic increase in interest rates on interbank loans in the Litas (VILIBOR) during 2009 what significantly increased borrowing costs of the Bank. Despite these adverse circumstances in 2009, the Bank properly managed all the risks, increased the volume of deposits and complied with all the ratios set by the Bank of Lithuania.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

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.

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

Basis of preparation (continued)

Adoption of new and/or changed IFRSs and IFRIC interpretations:

The Bank and the Group have adopted the following new and amended IFRS and IFRIC interpretations during the year:

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group and the Bank has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's and Bank's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

IFRS 8, Operating Segments.. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has resulted in an increase in the number of reportable segments presented, as the previously reported *Banking* segment has been split into Siauliai, Vilnius, Klaipeda and Headquarters segments.

The following new /or changed IFRSs and IFRIC interpretations are effective in 2009 but not relevant to the Bank and the Group:

- ***IAS 23, Borrowing Costs, revised in March 2007.*** This new standard did not have any impact on the Bank's and Group's financial statements.
- ***Improvements to International Financial Reporting Standards, issued in May 2008.*** These improvements did not have any material impact on the Bank's and Group's financial statements.
- ***Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment.*** This amendment did not have any impact on the Bank's and Group's financial statements.
- ***Vesting Conditions and Cancellations—Amendment to IFRS 2.*** This amendment did not have any impact on the Bank's and Group's financial statements.
- ***IFRIC 13, Customer Loyalty Programmes.*** This interpretation did not have any impact on the Bank's and Group's financial statements.
- ***Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment.*** This amendment did not have any impact on the Bank's and Group's financial statements.
- ***IFRIC 12, Service Concession Arrangements.*** This interpretation did not have any impact on the Bank's and Group's financial statements.
- ***IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*** This interpretation did not have any impact on the Bank's and Group's financial statements.

Standards issued but not yet effective

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). The Group is currenctly assessing its impact on the financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, early adoption permitted). This amendment will not have any impact on the Bank's and Group's financial statements.

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

Basis of preparation (continued)

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, early adoption permitted). This interpretation will not have any impact on the Bank's and Group's financial statements.

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted). This interpretation will not have any impact on the Bank's and Group's financial statements.

IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted). This interpretation will not have any impact on the Bank's and Group's financial statements.

Classification of Rights Issues - Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010). This amendment will not have any impact on the Bank's and Group's financial statements.

IAS 27, Consolidated and Separate Financial Statements, revised in January 2008 (effective for annual periods beginning on or after 1 July 2009). This new standard will not have any impact on the Bank's and Group's financial statements.

IFRS 3, Business Combinations, revised in January 2008 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This new standard will not have any impact on the Bank's and Group's financial statements.

Amendment to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations (and consequential amendments to IFRS 1) (effective for annual periods beginning on or after 1 July 2009). This amendment to IFRS 5 is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that an entity committed to a sale plan involving loss of control of a subsidiary would classify the subsidiary's assets and liabilities as held for sale. The revised guidance should be applied prospectively from the date at which the entity first applied IFRS 5. The Group and the Bank is currently assessing the impact of the amendment on its financial statements.

Eligible Hedged Items—Amendment to IAS 39 (effective with retrospective application for annual periods beginning on or after 1 July 2009). This amendment will not have any impact on the Bank's and Group's financial statements.

IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted). This new standard will not have any impact on the Bank's and Group's financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU). This amendment will not have any impact on the Bank's and Group's financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU). The Group and the Bank does not expect the amendment will have any material effect on its financial statements.

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The Group and the Bank does not expect these amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures*, *issued in November 2009 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group and the Bank is currently assessing the impact of the amended standard on disclosures in its financial statements.

Basis of preparation (continued)

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

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

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group and the Bank is considering the implications of the standard, the impact on the Group and Bank and the timing of its adoption by the Group.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This interpretation will not have any impact on the Bank's and Group's financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). This amendment will not have any impact on the Bank's and Group's financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU). This amendment will not have any impact on the Bank's and Group's financial statements.

Consolidation of subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

Subsidiaries in the stand-alone financial statements are accounted for at cost less impairment. The income from the investment is recognized only to the extent that the Bank receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the litas, which is the Bank's functional and presentation currency.

(b) Transactions and balances

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

All monetary assets and liabilities denominated in foreign currencies are translated into the Lithuanian litas (LTL) at the official rate of the Bank of Lithuania prevailing at the end of the reporting period. Gains and losses arising from this translation are included in the profit or loss for the reporting period. All non-monetary liabilities and assets are translated using the exchange rate prevailing on the date of acquisition.

Foreign currency transactions are recorded in the litas using the exchange rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are charged to the profit or loss at the time of transaction using the exchange rate ruling at that date.

Derivative financial instruments

Derivative financial instruments including foreign exchange forwards, swaps, options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at their fair value on the date on which a derivative contract is entered into. Fair values are obtained from quoted market prices and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives held for trading are included in net trading income.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Recognition of income and expenses

Interest income and expense are recognised in the profit or loss on an accrual basis using the effective interest method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees and other similar income and expenses are recognised as gained or incurred.

Cash received during an accounting period and not recognised as income of the accounting period is accounted for in the balance sheet as deferred income (liabilities), and costs incurred during an accounting period and not recognised as expenses of the accounting period are shown in the balance sheet as deferred charges (assets).

Dividend income

Dividends are recognised in the profit or loss when the Bank's or Group's right to receive payments is established.

Taxation

a) Income tax

In accordance with the Lithuanian Law on Corporate Profit Tax, taxable profit for 2009 period is subject to income tax at a rate of 20%. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with the Lithuanian regulatory legislation on taxes. Income tax rate valid for 2008 was 15%. As from 1 January 2010 income tax rate is 15%, therefore deferred tax assets and liabilities recognized as at 31 December 2009 are calculated using 15% tax rate. Deferred tax assets and liabilities recognized as at 31 December 2009 were calculated using 20% tax rate.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

The principal temporary differences arise from taxable losses deferred for future periods, revaluation of securities, difference between net book value and tax base of tangible fixed assets and accrued charges. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

b) Other taxes
Real estate tax rate is up to 1% on the tax value of tangible fixed assets and foreclosed assets. The Bank is also obliged to pay land and land lease taxes, make payments to guarantee fund and social security contributions. These taxes are included in other expenses in the profit or loss.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with the Bank of Lithuania, treasury bills and other eligible bills, amounts due from banks and financial institutions and short-term government securities.

Financial assets

Financial assets are classified into 4 categories: financial assets at fair value through profit and loss (the Group and the Bank have the only one sub-category here – held for trading), investments held to maturity, loans and receivables, financial assets available for sale. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Trading securities

Trading securities are securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at fair value, which is based on transaction price. Trading securities are subsequently measured at fair value based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

Securities available for sale and held to maturity

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Management determines the appropriate classification of its investments at the time of the purchase.

Available-for-sale securities are measured at fair value based on quoted bid prices or amounts derived from discounted cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised directly in other comprehensive income through the Statement of comprehensive income except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. However interest calculated using the effective interest rate is recognised in profit or loss.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective yield method, less any provision for impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

If the Group were to sell other than an insignificant amount of held-to–maturity assets, the entire category would be reclassified as available for sale.

Interest earned whilst holding securities is reported as interest income. Dividends receivable related to equity securities classified as trading or available for sale are included separately in dividend income when the Bank's right to receive payments is established

All regular way purchases and sales of securities are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

Loans

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the bank upon initial recognition designates as at fair value through profit or loss; (b) those that the bank upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans are carried at amortised cost. All loans and advances are recognised when cash is advanced to borrowers. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as 'Allowance for impairment losses.

Impairment of financial assets

Losses on loan and held-to-maturity investment impairment are established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans written off after all necessary procedures have been completed and the amount of the loss has been determined.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss in impairment charge for credit losses.

In the case if investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the profit or loss.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to

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

sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Reverse repurchase transactions

Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. The difference between purchase and repurchase price is treated as interest and accrued over the life of agreement using the effective interest method. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

Reverse repurchase agreements are classified as loans and receivables and are accounted for using the amortised cost method.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Intangible assets are amortised using the straight-line method over their estimated useful life (see note 17).

Property, plant and equipment

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2009 and 31 December 2008.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the profit or loss.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Asset maintenance costs are charged to the profit or loss when they are incurred. Significant improvements of assets are capitalised and depreciated over the remaining useful life period of the improved asset. Borrowing costs that are directly attributable to the acquisition or construction of assets requiring substantial amount of time to get ready for their usage are capitalized. Useful lives of property, plant and equipment are disclosed in note 18.

Leases

a) Group company is the lessee

Operating leases

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of lease.

a)

b) Group company is the lessor

Operating leases

Assets leased out under operating leases are included in tangible fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned fixed assets. Rental income is recognised on a straight-line basis over the lease term.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Inventories

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

Inventories of the Group consist mainly of apartments held for sale and property for development. They are stated at the lower of cost and net realizable value. Net realizable value for apartments held for sale are calculated as based on market value of appartments less costs to sell Net realizable value of property for development are calculated as discounted cash inflows to be received from developed property less discounted cash outflows related to the development and selling of a property.

Borrowings

Borrowings (including debt securities in issue) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Borrowings are recognised on the day of settlement.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Dividends

Dividends on the Bank's shares are recorded in equity in the period in which they are declared.

Employee benefits

a) *Social security contributions*

The Group companies pay social security contributions to the state Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments

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

b) *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within staff costs in the profit or loss and within other liabilities in the balance sheet.

Segment information

Operating segments are reported in accordance with the information analysed by the Executive Board (the chief operating decision-maker) of the Group, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has seven main business segments:

- Šiauliai region – includes banking operations (retail and corporate banking) performed in Siauliai region;
- Vilnius region – includes banking operations (retail and corporate banking) performed in Vilnius region;
- Klaipėda region - includes banking operations (retail and corporate banking) performed in Klaipeda region;
- Headquarters – incorporates treasury and support services (IT, management, administration and other services) provided to other banking operations segments of the Group;
- Leasing activities – includes finance and operating lease services provided to customers of the Group;
- Investment management – includes management of investments in equity instruments held by the Group;
- Real estate development – includes development of real estate projects.

As the Group's segment operations, except for real estate development are all financial with a majority of revenues deriving from interest and the Group Executive Board relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis. Also all other main items of profit or loss are analysed by the management of the Group on segment basis therefore they are presented in the segment reporting.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Board is measured in a manner consistent with that in the consolidated statement of comprehensive income. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

The Group's management reporting is based on a measure of profit before taxes and net profit comprising net interest income, net fee and commissions income, loan impairment charges, operating expenses, amortization and depreciation expenses and net other income.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Fair value of assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. The Group considers relevant and observable market prices in its valuations where possible.

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

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the profit or loss the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the profit or loss under other operating expenses.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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

FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Bank's and the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers and borrows from other financial institutions at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

Strategic decisions related to financing and investing activities of the Bank and the Group is made by the Board of the Bank. Operating financing and investment decisions are made on division level. Divisions of the Group are presented in Segment information. Decisions on risk management are made by the Risk Management Committee of the Bank. Risk Management Policy is approved and monitored by the Board of the Bank.

The Bank and the Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances but the Group also enters into guarantees and other commitments such as letters of credit and other guarantees.

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 purpose of risk management policy is to define the risks as well as their management principles in the Bank's activities. Due to the fact that various risks experienced by the Group are interdependent their management is centralized. Arrangement and coordination of the experienced risk management system is one of the main goals of the Bank's Risk Management Committee.

The Group reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice on regular basis, at least annually.

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)

1. Credit risk

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 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.

The Bank lending policy is focused on small and medium-size business clients, seeking to provide them with the better funding terms and long-term support.

Large entities are defined as entities employing than 250 employees. Small and medium size entities are defined as entites employing less than 250 employees and the total balance sheet total does not exceed LTL 148 million or annual turnover does not exceed LTL 173 million.

1.1. Credit risk measurement

(a) Loans and advances

Credit risk management process, as any risk incurring in other banking activities, could be divided into the following four stages:

a) Risk identification (recognition);
b) Risk extent evaluation;
c) Risk monitoring;
d) Risk control.

The Bank applies credit risk management measures, which could relevantly be divided into two types:

1) Measures that help to avoid decisions to grant unsecured loans;
2) Measures ensuring the effective monitoring system of the Bank's asset quality.

Measures that help to avoid decisions to grant unwarrantably risky credits include:

1) Multi-stage decision-making and its approval system;
2) Risk allocation among structural levels – limit establishment;
3) Security measures for credit repayment (collateral).

Multi-stage decision-making and its approval system has an aim not to make one-man decisions regarding credit granting by authorized persons but to make them be discussed by the collegial bodies of the Bank and, as the case may be, by the Bank's Loan Committee, the Bank's Board or Council. There are certain limits to authorized persons established regarding credit granting implementation as well as approval limits to collegial bodies. Limit establishment depends on the authorized persons' qualification, experience and the effectiveness of their managed branches; while in the Branch Committees and the Bank Loan Committee the attention is paid to the Committee members' qualification, experience and economic activity of the region, where the branch is located, the quality of loan portfolio and other factors.

It is very important to precisely analyse all the information about the customer before granting the credit. The goal of credit analysis is to do the best in evaluating the customer's status and prospects in the field where he/she provides his/her goods or services. The repayment of credits granted by the Bank must be enough secure in order to minimize possible credit repayment risks. A security measure has to be chosen in accordance with the credit type. Providing credit first of all the Bank analyses the borrower's financial capacity and credit repayment possibilities from the borrower's cash flows.

Credit administration and constant credit monitoring is the main principle in the Bank's security and reliability maintenance. The proper credit administration includes the timely updating of the borrower's credit file, providing with the latest financial information, the timely introduction of latest financial information to the database and preparation of the various documents and their amendments.

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

The Bank establishes and implements the procedures, improves information systems for monitoring separate credits as well as loan portfolio. These procedures include the criteria for early indication of potentially impaired loans and other transactions.

(b) Debt securities

Credit risk exposures with respect to debt securities are managed by carrying out counterparty analysis when decision for acquisition of securities is made. The concentration risk together with lending exposure arising from debt securities portfolio is analysed and monitored on a regular basis by the Risk Management Committee of the Bank.

(c) Credit-related commitments

Other credit-related commitments assumed by the Group include guarantees, letters of documentary credit, commitments to grant a credit which expose the Group to the same credit risk as the loans do. The key aim of these instruments is to ensure that funds are available to a customer as required. The above guarantees and letters of documentary credit are usually collateralised by clients' funds in the Bank accounts. With regards to commitments to grant credit the Bank is exposed to loss equal to the unused commitment amount.

1.2. Risk limit control and mitigation policies

(a) Concentrations

The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors.

In addition to the Bank of Lithuania requirements to limit the exposures to a single borrower and large exposures, the Group also sets exposure requirement, which to a single borrower may not exceed 15 percent of the Bank's capital. The Bank's Council must approve the higher limits. The maximum exposure requirement to a single borrower established by the Bank of Lithuania is 25 percent. Concentration of credit risk of the Bank is disclosed in note 33.

The Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group's level is restricted by the internal lending limits. The percentage and volume of lending limits are set for individual industries to ensure that the Group is not overly exposed to any particular economic sector in the country.

The geographical concentration risk is not recognised in the Group's business since the principle of focusing on domestic customers is followed.

Some other specific control and mitigation measures are outlined below.

(b) Collateral

The Group mitigates credit risk by taking security for loans granted. The types of collateral considered by the Group as the most acceptable for loans and advances are the following:

- Real estate (mainly residential properties, commercial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities);
- Third party guarantees.

Long-term financing and lending to corporate entities are generally secured; revolving facilities and consumer loans to private individuals are generally unsecured. In order to minimize the credit loss as the impairment indicators for the relevant individual loans and advances are noticed the Group seeks for additional collateral from the counterparty.

While calculating a decrease in value for the loan the repayment of which is secured by the collateral, a cash flow from the security measure is also included into the loan cash flow. Taking into consideration the historical data, facts and probability to sell the object of the security measures and the expenses of its sales, the discount ratios applied at the Bank are provided. If several loans are insured with the same security measure (collateral), such security measure (collateral) is divided to every loan pro rata.

Debt securities, treasury and other eligible bills are generally unsecured.

For finance lease receivables the lender remains the owner of the leased object. Therefore, in case of customer's default the lender is able to gain control on the risk mitigation measures and realize them in rather short period.

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

1.3. Impairment and provisioning policies

Upon assessing impairment losses on loans, available-for-sale assets and other assets the Group follows the requirements of IAS 39 Financial Instruments: Recognition and Measurement. Impairment losses are recognized for financial reporting purposes only for those losses that have been impaired at the balance sheet date based on objective evidence of impairment.

The Group and the Bank carries out valuation of assets on a monthly basis, based on valuation policies approved by the Board of the Bank. The amount of impairment provision is based on the individual assessment of specific assets using discounted cash flow method and effective interest rates. Collateral is also taken into consideration when estimating an impairment provision.

The following loss events are considered by the Group and the Bank when estimating provision for loan impairment. Events that may cause loss in future cannot be recognized as a loss event on the loan evaluation day.

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, 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).

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

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

Credit risk exposures relating to on-balance sheet assets are as follows:	2009		2008	
	Group	**Bank**	**Group**	**Bank**
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**
- Consumer loans	28,221	28,221	54,800	54,800
- Mortgages	117,931	117,931	125,176	125,176
- Credit cards	19,027	5,771	24,577	9,959
- Other (reverse repurchase agreements, other loans backed by securities, other)	70,586	70,586	79,144	77,625
Loans to business customers:	**1,189,433**	**1,262,566**	**1,181,329**	**1,241,916**
- Large corporates	184,380	184,380	171,230	171,230
- SME	939,086	1,012,219	947,583	1,008,170
- Central and local authorities, administrative bodies and other	**65,967**	**65,967**	62,516	62,516
Finance lease receivables	**101,412**	**0**	**128,836**	**-**
- Individuals	31,235	0	42,902	-
- Business customers	70,177	0	85,934	-
Trading assets:	**2,973**		**2,975**	**-**
- Debt securities	2,973		2,975	-
Derivative financial instruments	-	-	-	-
Securities available for sale	**71,282**	**71,282**	**20,608**	**20,608**
- Debt securities	71,282	71,282	20,608	20,608
Investment securities held to maturity	**146,041**	**143,068**	**150,012**	**147,038**
- 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
At 31 December	**1,910,969**	**1,946,738**	**1,971,136**	**1,993,039**

The table above represents a worst case scenario of credit risk exposure at 31 December 2009 and 2008, 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.

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

1.5. Loans and advances

Loans and advances are summarised as follows:

31 December 2009

	2009			
	Group		Bank	
	Loans and advances to customers	**Loans and advances to banks and financial institutions**	**Loans and advances to customers**	**Loans and advances to banks and financial institutions**
Neither past due nor impaired	1,236,342	9,130	1,299,139	120,560
Past due but not impaired	86,896	-	84,705	-
Impaired	144,320	-	141,513	-
Gross	**1,467,558**	**9,130**	**1,525,357**	**120,560**
Less: allowance for impairment	42,360	-	40,282	-
Net	**1,425,198**	**9,130**	**1,485,075**	**120,560**

31 December 2008

	2008			
	Group		Bank	
	Loans and advances to customers	**Loans and advances to banks and financial institutions**	**Loans and advances to customers**	**Loans and advances to banks and financial institutions**
Neither past due nor impaired	1,334,135	24,988	1,382,499	165,065
Past due but not impaired	97,659	-	94,209	-
Impaired	44,722	-	44,036	-
Gross	**1,476,516**	**24,988**	**1,520,744**	**165,065**
Less: allowance for impairment	11,490	-	11,268	-
Net	**1,465,026**	**24,988**	**1,509,476**	**165,065**

During the year ended 31 December 2009, the Group's total loans and advances decreased by 2%. The Group's total impairment provision for loans and advances is LTL 42,360 thousand (2008: LTL 11,490 thousand) and it accounts for 2.87% of the respective portfolio (2008: 0.78%). The Group's impaired loans and advances to customers comprise 9.8% of the total portfolio (2008: 3.0%).

Impaired loan - is a loan to which a loss event is recognized and allowance for impairment is made. The list of loss events is presented in Impairment and provisioning policies part above.

a) Loans and advances neither past due nor impaired

All loans and advances to financial institutions are considered as standard exposures for the purpose of credit quality analysis. There were neither past due nor impaired loans and advances to financial institutions.

31 December 2009

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Standard	21,885	95,136	15,711	56,305	**189,037**
Watch	22	313	17	3,098	**3,450**
Substandard	-	-	-	822	**822**
Total	**21,907**	**95,449**	**15,728**	**60,225**	**193,309**

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

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Standard	201,828	27,694	9,130	55,338	**293,990**
Watch	475,817	139,200	-	5,236	**620,253**
Substandard	117,530	16,512	-	3,878	**137,920**
Total	**795,175**	**183,406**	**9,130**	**64,452**	**1,052,163**

31 December 2008

	Group loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Standard	45,556	111,861	20,576	68,423	**246,416**
Watch	-	57	-	274	**331**
Substandard	-	-	-	107	**107**
Total	**45,556**	**111,918**	**20,576**	**68,804**	**246,854**

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Standard	330,991	108,480	24,988	49,152	**513,611**
Watch	483,470	62,424	-	12,161	**558,055**
Substandard	39,812	-	-	791	**40,603**
Total	**854,273**	**170,904**	**24,988**	**62,104**	**1,112,269**

31 December 2009

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Standard	21,885	95,136	5,018	56,305	**178,344**
Watch	22	313	17	3,098	**3,450**
Substandard	-	-	-	822	**822**
Total	**21,907**	**95,449**	**5,035**	**60,225**	**182,616**

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Standard	279,039	27,694	120,560	55,338	**482,631**
Watch	472,096	139,200	-	5,236	**616,532**
Substandard	117,530	16,512	-	3,878	**137,920**
Total	**868,665**	**183,406**	**120,560**	**64,452**	**1,237,083**

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

31 December 2008

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Standard	45,556	111,861	9,682	66,904	**234,003**
Watch	-	57	-	274	**331**
Substandard	-	-	-	107	**107**
Total	**45,556**	**111,918**	**9,682**	**67,285**	**234,441**

	Bank loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Standard	391,948	108,480	165,065	49,152	**714,645**
Watch	483,290	62,424	-	12,161	**557,875**
Substandard	39,812	-	-	791	**40,603**
Total	**915,050**	**170,904**	**165,065**	**62,104**	**1,313,123**

Other loans to individuals (retail) are secured loans, which are not classified as consumer or mortgage credits and which are assigned e.g. for various personal expenses of the natural entities, for acquisition of real estate, movables or securities.

Loans and advances neither past due nor impaired are loans which are not impaired and payments of which are not past due.

Standard loan is a loan when its repayment is not past due and the borrower's financial performance is either very good or good. Watch loan is a loan when its repayment is not past due and the borrower's financial performance is satisfactory. Substandard loan is a loan when its repayment is not past due and the borrower's financial performance is poor or bad.

The Group and the Bank examines the potential borrower's financial performance before issuing a loan and monitors any development in financial performance during the whole loan service period. The Group and the Bank evaluates the borrower's financial performance at least quarterly.

For analysis of debt securities according to the credit quality see notes 12 and 15.

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

b) Loans and advances past due but not impaired

31 December 2009

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Past due up to 30 days	3,765	11,971	1,534	2,539	**19,809**
Past due 30-60 days	100	2,710	636	614	**4,060**
Past due 60-90 days	57	837	239	570	**1,703**
Past due more than 90 days	204	3,521	12	1,232	**4,969**
Total	**4,126**	**19,309**	**2,421**	**4,955**	**30,541**
Fair value of collateral	-	30,136	-	9,974	**40,110**

	Group loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Past due up to 30 days	37,886	974	860	**39,720**
Past due 30-60 days	3,719	-	107	**3,826**
Past due 60-90 days	1,948	-	-	**1,948**
Past due more than 90 days	10,313	-	548	**10,861**
Total	**53,866**	**974**	**1,515**	**56,355**
Fair value of collateral	95,905	-	3,620	**99,525**

31 December 2008

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Past due up to 30 days	6,170	7,213	2,442	7,961	**23,786**
Past due 30-60 days	-	2,914	834	1,605	**5,353**
Past due 60-90 days	-	1,637	431	111	**2,179**
Past due more than 90 days	-	781	-	533	**1,314**
Total	**6,170**	**12,545**	**3,707**	**10,210**	**32,632**
Fair value of collateral	-	24,476	-	20,058	**44,534**

	Group loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Past due up to 30 days	38,983	326	252	**39,561**
Past due 30-60 days	14,331	-	-	**14,331**
Past due 60-90 days	3,645	-	-	**3,645**
Past due more than 90 days	7,330	-	160	**7,490**
Total	**64,289**	**326**	**412**	**65,027**
Fair value of collateral	120,568	-	336	**120,904**

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

31 December 2009

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Past due up to 30 days	3,765	11,971	230	2,539	**18,505**
Past due 30-60 days	100	2,710	-	614	**3,424**
Past due 60-90 days	57	837	-	570	**1,464**
Past due more than 90 days	204	3,521	-	1,232	**4,957**
Total	**4,126**	**19,039**	**230**	**4,955**	**28,350**
Fair value of collateral	-	30,136	-	9,974	**40,110**

	Bank loans to business customers			
	SME	Large corporates	Central and local authorities and other	Total
Past due up to 30 days	37,886	974	860	**39,720**
Past due 30-60 days	3,719	-	107	**3,826**
Past due 60-90 days	1,948	-	-	**1,948**
Past due more than 90 days	10,313	-	548	**10,861**
Total	**53,866**	**974**	**1,515**	**56,355**
Fair value of collateral	**95,905**	**-**	**3,620**	**99,525**

31 December 2008

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Past due up to 30 days	6,170	7,213	191	7,961	**21,535**
Past due 30-60 days	-	2,914	57	1,605	**4,576**
Past due 60-90 days	-	1,637	9	111	**1,757**
Past due more than 90 days	-	781	-	533	**1,314**
Total	**6,170**	**12,545**	**257**	**10,210**	**29,182**
Fair value of collateral	-	24,476		20,058	**44,534**

	Bank loans to business customers			
	SME	Large corporates	Central and local authorities and other	Total
Past due up to 30 days	38,983	326	252	**39,561**
Past due 30-60 days	14,331	-	-	**14,331**
Past due 60-90 days	3,645	-	-	**3,645**
Past due more than 90 days	7,330	-	160	**7,490**
Total	**64,289**	**326**	**412**	**65,027**
Fair value of collateral	120,568	-	336	**120,904**

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

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

c) Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security is as follows:

31 December 2009

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	**6,278**	**5,841**	**3,166**	**7,032**	**22,317**
Fair value of collateral	-	4,035	-	7,426	**11,461**

	Group loans to business customers			
	Large corporates	**SME**	**Central and local authorities and other**	**Total**
Impaired loans	-	**121,992**	**11**	**122,003**
Fair value of collateral	-	103,438	-	**103,438**

31 December 2008

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	5,332	1,024	720	486	**7,562**
Fair value of collateral	-	750	-	609	**1,359**

	Group loans to business customers			
	Large corporates	**SME**	**Central and local authorities and other**	**Total**
Impaired loans	-	37,153	7	**37,160**
Fair value of collateral	-	43,114	-	**43,114**

31 December 2009

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	**6,278**	**5,841**	**1,173**	**7,032**	**20,324**
Fair value of collateral	-	4,035	-	7,426	**11,461**

	Bank loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Impaired loans	**121,178**	**-**	**11**	**121,189**
Fair value of collateral	101,366	-	-	**101,366**

31 December 2008

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Impaired loans	5,332	1,024	227	486	**7,069**
Fair value of collateral	-	750	-	609	**1,359**

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

	Bank loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Impaired loans	36,960	-	7	**36,967**
Fair value of collateral	43,114	-	-	**43,114**

During 2009 the Bank's estimated interest income on impaired loans amounted to LTL 4,373 thousand (2008: LTL 1,190 thousand).

Impairment loss by class of financial assets for loans has been dislosed in note 13.

d) Loans and advances renegotiated

Loans and advances that were renegotiated during the year and that would otherwise have been past due or impaired as at 31 December 2009 amounted to LTL 34 million (2008: LTL 31million).

Renegotiated loans according to the class of financial assets

31 December 2009

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Renegotiated loans	1,105	3,265	-	4,564	8,934

	Bank loans to business customers			
	SME	**Large corporates**	**Central and local authorities and other**	**Total**
Renegotiated loans	24,745	-	442	25,187

As at 31 December 2008 all renegotiated loans were attributable to loans to SME.

e) Information about loan collateral

The method for collateral valuation is selected by the Group and the Bank based on specifics of collateral and existing market conditions on the day of valuation. Based on collateral characteristics and the purpose of its valuation the following valuation methods are used: comparable sales price method or income capitalisation method.

If loan is secured by several different types of collateral, priority in their recognition is based on their liquidity. Cash deposits are treated as having the highest liquidity followed by guarantees, residential real estate and then other real estate. Securities and other assets are treated as having the lowest liquidity.

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.). The total amount of loans to individuals and business customers secured by the above security measure, but disclosed as unsecured, as at 31 December 2009 amounted to LTL 265,166 thousand (2008: LTL 264,390 thousand) Totally unsecured loans comprise only consumer loans, credit cards and loans issued by the Bank to its subsidiaries.

31 December 2009

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Unsecured loans	32,278	6,344	21,315	21,071	**81,008**
Loans collateralised by:	**33**	**113,985**	-	**51,141**	**165,159**
- residential real estate	33	97,457	**-**	13,011	**110,501**
- other real estate	**-**	7,867	-	16,043	**23,910**
- securities	-	196	**-**	20,979	**21,175**
- guarantees	-	7,924	-	55	**7,979**
- cash deposits	**-**	541	**-**	968	**1,509**
- other assets	-	-	-	85	**85**
Total	**32,311**	**120,329**	**21,315**	**72,212**	**246,167**

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

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	185,875	70,157	9,130	54,723	**319,885**
Loans collateralised by:	**785,158**	**114,223**	-	**11,255**	**910,636**
- residential real estate	112,153	-	-	3,721	**115,874**
- other real estate	489,129	63,413	-	3,445	**555,987**
- securities	23,493	22,938	-	-	**46,431**
- guarantees	102,046	412	-	3,545	**106,003**
- cash deposits	1,517	110	-	-	**1,627**
- other assets	56,820	27,350	-	544	**84,714**
Total	**971,033**	**184,380**	**9,130**	**65,978**	**1,230,521**

31 December 2008

	Group loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Unsecured loans	57,058	1,895	25,003	17,617	**101,573**
Loans collateralised by:	-	**123,592**	-	**61,883**	**185,475**
- residential real estate	-	106,085	-	17,427	**123,512**
- other real estate	-	8,208	-	20,864	**29,072**
- securities	-	230	-	22,156	**22,386**
- guarantees	-	8,507	-	-	**8,507**
- cash deposits	-	562	-	1,212	**1,774**
- Other assets	-	-	-	224	**224**
Total	**57,058**	**125,487**	**25,003**	**79,500**	**287,048**

	Group loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total
Unsecured loans	178,293	73,876	20,317	51,396	**323,882**
Loans collateralised by:	**777,422**	**97,354**	**4,671**	**11,127**	**890,574**
- residential real estate	65,437	1,063	-	3,633	**70,133**
- other real estate	530,837	43,299	-	3,742	**577,878**
- securities	18,930	27,988	4,671	-	**51,589**
- guarantees	97,312	169	-	3,272	**100,753**
- cash deposits	654	-	-	274	**928**
- other assets	64,252	24,835	-	206	**89,293**
Total	**955,715**	**171,230**	**24,988**	**62,523**	**1,214,456**

31 December 2009

	Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Credit cards	Other	Total
Unsecured loans	32,278	6,344	6,438	21,071	**66,131**
Loans collateralised by:	**33**	**113,985**	-	**51,141**	**165,159**
- residential real estate	33	97,457	-	13,011	**110,501**
- other real estate	-	7,867	-	16,043	**23,910**
- securities	-	196	-	20,979	**21,175**
- guarantees	-	7,924	-	55	**7,979**
- cash deposits	-	541	-	968	**1,509**
- other assets	-	-	-	85	**85**
Total	**32,311**	**120,329**	**6,438**	**72,212**	**231,290**

	Bank loans to business customers				
	SME	Large corporates	Financial institutions	Central and local authorities and other	Total

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

Unsecured loans	259,365	70,157	120,560	54,723	**504,805**
Loans collateralised by:	**784,344**	**114,223**	-	**11,255**	**909,822**
- residential real estate	112,153	**-**	**-**	3,721	**115,874**
- other real estate	489,129	63,413	-	3,445	**555,987**
- securities	22,679	22,938	**-**	**-**	**45,617**
- guarantees	102,046	412	-	3,545	**106,003**
- cash deposits	1,517	110	**-**	**-**	**1,627**
- other assets	56,820	27,350	-	544	**84,714**
Total	**1,043,709**	**184,380**	**120,560**	**65,978**	**1,414,627**

31 December 2008

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
Unsecured loans	57,058	1,895	10,166	16,098	**85,217**
Loans collateralised by:	**-**	**123,592**	**-**	**61,883**	**185,475**
- residential real estate	-	106,085	-	17,427	**123,512**
- other real estate	-	8,208	-	20,864	**29,072**
- securities	-	230	-	22,156	**22,386**
- guarantees	-	8,507	-	-	**8,507**
- cash deposits	-	562	-	1,212	**1,774**
- other assets	-	-	-	224	**224**
Total	**57,058**	**125,487**	**10,166**	**77,981**	**270,692**

	Bank loans to business customers				
	SME	**Large corporates**	**Financial institutions**	**Central and local authorities and other**	**Total**
Unsecured loans	238,877	73,876	160,394	51,396	**524,543**
Loans collateralised by:	**777,422**	**97,354**	**4,671**	**11,127**	**890,574**
- residential real estate	65,437	1,063	-	3,633	**70,133**
- other real estate	530,837	43,299	-	3,742	**577,878**
- securities	18,930	27,988	4,671	-	**51,589**
- guarantees	97,312	169	-	3,272	**100,753**
- cash deposits	654	-	-	274	**928**
- other assets	64,252	24,835	-	206	**89,293**
Total	**1,016,299**	**171,230**	**165,065**	**62,523**	**1,415,117**

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

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

	2009			2008		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Neither past due nor impaired	26,606	29,902	56,508	37,046	66,500	103,546
Past due but not impaired	4,088	38,012	42,100	5,371	16,775	22,146
Impaired	2,119	3,211	5,330	1,411	3,392	4,803
Gross	**32,813**	**71,125**	**103,938**	**43,828**	**86,667**	**130,495**
Less: allowance for impairment	1,578	948	2,526	926	733	1,659
Net	**31,235**	**70,177**	**101,412**	**42,902**	**85,934**	**128,836**

During the year ended 31 December 2009, finance lease receivables portfolio decreased by 20.4% (2008: increased by 6.3%). Total impairment provision for finance lease receivables is LTL 2,526 thousand (2008: LTL 1,659 thousand) and it accounts 2.43% for of the respective portfolio (2008: 1.27%).

a) Finance lease receivables neither past due nor impaired

Finance lease receivables from individuals are assessed based on application scorings when decision is made. After the loans are granted they are monitored based on their past due status. All loans to individuals, which are neither past due nor impaired are considered as standard loans from credit risk management view.

	2009			2008		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Standard	26,606	13,703	40,309	37,047	53,528	90,575
Watch	-	14,369	14,369	-	12,718	12,718
Substandard	-	1,830	1,830	-	254	254
Total	**26,606**	**29,902**	**56,508**	**37,047**	**66,500**	**103,547**

Standard lease receivable is a receivable when its repayment is not past due and the borrower's financial performance is either very good or good. Watch lease receivable is a receivable when its repayment is not past due and the borrower's financial performance is satisfactory. Substandard lease receivable is a receivable when its repayment is not past due and the borrower's financial performance is poor or bad.

b) Finance lease receivables past due but not impaired

	2009			2008		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Past due up to 3 days	754	11,130	11,884	1,105	449	1,554
Past due 4-40 days	2,404	22,335	24,739	3,238	10,961	14,199
Past due 41-90 days	773	4,543	5,316	765	4,667	5,432
Past due more than 90 days	157	4	161	262	698	960
Total	**4,088**	**38,012**	**42,100**	**5,370**	**16,775**	**22,145**
Fair value of collateral	7,660	49,179	56,839	8,784	25,714	34,498

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

c) Finance lease receivables individually impaired

	Individuals	Business customers	Total
31 December 2009			
Individually impaired	2,119	3,211	5,330
Fair value of collateral	3,534	6,398	9,932
31 December 2008			
Individually impaired	1,411	3,135	4,546
Fair value of collateral	1,983	4,904	6,887

d) Information about risk mitigation measures for finance lease receivables

Upon initial recognition of financial lease receivables, the fair value of risk mitigation measures is based on valuation approaches commonly used for the corresponding types of assets. Market values are used for real estate and movable assets serving as risk mitigation measures. In subsequent periods, the fair value of risk mitigation measures is updated based on their depreciation rates.

If exposure is secured by several different types of risk mitigation measures, priority in their recognition is based on their liquidity. Transport vehicles are treated as having highest liquidity followed by residential real estate and then other real estate. Equipment and other assets are treated as having lowest liquidity.

The lender remains the owner of the leased object. Therefore, in case of customer default it is able to gain control on the risk mitigation measures and realize them in rather short period.

	2009			2008		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	-	-	-	-	-	-
Finance lease receivables secured by:						
- 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	2,492	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**

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

1.7. Amounts receivable

	2009		2008	
	Group Business customers	**Bank Business customers**	**Group Business customers**	**Bank Business customers**
Neither past due nor impaired	20,975	1,215	26,858	6,255
Past due but not impaired	-	-	-	-
Impaired	6,954	256	3,214	2,185
Gross	**27,929**	**1,471**	**30,072**	**8,440**
Less: allowance for impairment	1,154	256	1,154	630
Net	**26,775**	**1,215**	**28,918**	**7,810**

a) Amounts receivable neither past due nor impaired

	2009		2008	
	Group Business customers	**Bank Business customers**	**Group Business customers**	**Bank Business customers**
Standard	2,147	1,215	7,033	6,255
Watch	-	-	113	-
Sub-standard	18,828	-	19,712	-

b) Impaired amounts receivable

No collaterals are received for impaired amounts receivable.

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

1.8. Concentration of risks of financial assets with credit risk exposure

Industry sectors

The Group and the Bank established lending limits to a particular industry (only for loans and advances), which are reviewed on a regular basis based on the Bank's decision. The following limits have been approved by the Bank's Board for 2009 and 2008: wholesale and retail – 26% of the total loan portfolio, loans to individuals – 25%, manufacturing – 20%, construction – 15%, real estate and rent – 15%, agriculture, hunting and forestry – 12%, transport storage and communication – 10%, hotels and restaurants – 7%, health and social work – 5%. As at 31 December 2009 the Group and the Bank were compliant with the above limits.

The following table breaks down the main credit exposures at their carrying amounts, as categorized by the industry sectors of our counterparties.

Bank

	Financial interme-diation	Wholesale and retail	Manufac-turing	Real estate and rent	Construc-tion	Agriculture, hunting and forestry	Hotels and restaurants	Transport, storage and communica-tion	Health and social work	Loans to individuals	Other	Total
Cash and balances with central banks	**168,651**	-	-	-	-	-	-	-	-	-	-	**168,651**
Loans and advances to banks	**2,214**	-	-	-	-	-	-	-	-	-	-	**2,214**
Loans and advances to customers:	**216,211**	**214,031**	**239,021**	**192,389**	**108,939**	**79,938**	**84,779**	**25,491**	**61,809**	**222,509**	**160,518**	**1,605,635**
Loans and advances to financial institutions	**120,560**	-	-	-	-	-	-	-	-	-	-	**120,560**
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	**222,509**	-	**222,509**
- Mortgages	-	-	-	-	-	-	-	-	-	28,221	-	28,221
- Consumer loans	-	-	-	-	-	-	-	-	-	117,931	-	117,931
- Credit cards	-	-	-	-	-	-	-	-	-	5,771	-	5,771
- Other	-	-	-	-	-	-	-	-	-	70,586	-	70,586
Loans to business customers:	**95,651**	**214,031**	**239,021**	**192,389**	**108,939**	**79,938**	**84,779**	**25,491**	**61,809**	-	**160,518**	**1,262,566**
- SME	77,486	193,842	170,638	192,389	94,270	79,859	84,383	21,994	8,812	-	88,546	1,012,219
- Large corporates	18,165	20,189	68,326	-	11,496	-	-	3,497	48,510	-	14,197	184,380
- Central and local authorities, administrative bodies and other	-	-	57	-	3,173	79	396	-	4,487	-	57,775	65,967
Trading assets:	**83**	-	**26**	-	-	-	-	-	-	-	**12**	**121**
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
- Equity securities	83	-	26	-							12	121
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Securities available for sale	**42,023**	-	-	-	-	-	-	-	-	-	**30,060**	**72,083**
- Equity securities	286	-	-	-	-	-	-	-	-	-	515	801
- Debt securities	41,737	-	-	-	-	-	-	-	-	-	29,545	71,282
Investment securities held-to-maturity	-	-	**690**	**1,420**	-	-	-	**1,505**	-	-	**139,453**	**143,068**
-debt securities	-	-	690	1,420	-	-	-	1,505	-	-	139,453	143,068
Other financial assets	**163**	-	**1,052**	-	-	-	-	-	-	-	-	**1,215**
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees	1,750	10,307	3,729	626	22,152	54	690	2,093	342	-	8,497	**50,240**
Letters of credit	2,904	-	-	-	-	-	-	-	-	-	-	**2,904**
Loan commitments and other credit related liabilities	9,089	12,133	5,632	5,345	11,633	4,383	793	854	608	6,934	12,776	**70,180**
At 31 December 2009	**443,088**	**236,471**	**250,150**	**199,780**	**142,724**	**84,375**	**86,262**	**29,943**	**62,759**	**229,443**	**351,316**	**2,116,311**
At 31 December 2008	**392,567**	**232,919**	**266,751**	**184,615**	**143,745**	**92,800**	**97,089**	**35,147**	**55,120**	**281,888**	**313,653**	**2,096,294**

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

Group

	Financial interme-diation	Wholesale and retail	Manufac-turing	Real estate and rent	Construc-tion	Agricultur e, hunting and forestry	Hotels and restaurants	Transport, storage and communic a-tion	Health and social work	Loans to individuals	Other	Total
Cash and balances with central banks	168,708	-	-	-	-	-	-	-	-	-	-	168,708
Loans and advances to banks	2,214	-	-	-	-	-	-	-	-	-	-	2,214
Loans and advances to customers:	66,884	214,074	240,722	155,052	108,939	80,295	84,779	25,491	61,809	235,765	160,518	1,434,328
Loans and advances to financial institutions	9,130	-	-	-	-	-	-	-	-	-	-	9,130
Loans to individuals (Retail):	-	-	-	-	-	-	-	-	-	**235,765**	-	**235,765**
- Consumer loans	-	-	-	-	-	-	-	-	-	28,221	-	28,221
- Mortgages	-	-	-	-	-	-	-	-	-	117,931	-	117,931
- Credit cards	-	-	-	-	-	-	-	-	-	19,027	-	19,027
- Other	-	-	-	-	-	-	-	-	-	70,586	-	70,586
Loans to business customers:	57,754	214,074	240,722	155,052	108,939	80,295	84,779	25,491	61,809	-	160,518	1,189,433
- SME	39,589	193,885	172,339	155,052	94,270	80,216	84,383	21,994	8,812	-	88,546	939,086
- Large corporates	18,165	20,189	68,326	-	11,496	-	-	3,497	48,510	-	14,197	184,380
- Central and local authorities, administrative bodies and other	-	-	57	-	3,173	79	396	-	4,487	-	57,775	65,967
Finance lease receivables	**62**	**6,485**	**12,345**	**867**	**3,723**	**4,204**	**555**	**33,105**	**4,485**	**31,235**	**4,346**	**101,412**
-individuals	-	-	-	-	-	-	-	-	-	31,235	-	31,235
-business customers	62	6,485	12,345	867	3,723	4,204	555	33,105	4,485	-	4,346	70,177
Trading assets:	**83**	-	**2,999**	-	-	-	-	-	-	-	**12**	**3,094**
- Debt securities	-	-	2,973	-	-	-	-	-	-	-	-	2,973-
- Equity securities	83	-	26	-	-	-	-	-	-	-	12	121
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Securities available for sale	**42,023**	-	**2,910**	**11,243**	-	-	-	-	-	-	**30,060**	**86,236**
- Debt securities	41,737	-	-	-	-	-	-	-	-	-	29,545	71,282
- Equity securities	286	-	2,910	11,243	-	-	-	-	-	-	515	14,954
Investment securities held-to-maturity	-	-	**3,663**	**1,420**	-	-	-	**1,505**	-	-	**139,453**	**146,041**
-debt securities	-	-	3,663	1,420	-	-	-	1,505	-	-	139,453	146,041
Other assets	**240**	**162**	**15,195**	**10,729**	-	**20**	**30**	**106**	**1**	-	**292**	**26,775**
Credit risk exposures relating to off –balance sheet items are as follows:												
Financial guarantees	1,750	10,307	3,729	626	22,152	54	690	2,093	342	-	8,497	**50,240**
Letters of credit	2,904	-	-	-	-	-	-	-	-	-	-	**2,904**
Loan commitments and other credit related liabilities	4,661	12,133	5,632	3,363	11,633	4,383	793	854	608	15,897	12,776	**72,733**
At 31 December 2009	**289,529**	**243,161**	**287,262**	**183,300**	**146,447**	**88,956**	**86,847**	**63,154**	**67,245**	**282,897**	**355,954**	**2,094,752**
At 31 December 2008	**211,895**	**245,226**	**305,439**	**177,929**	**149,964**	**99,517**	**97,905**	**71,081**	**62,450**	**350,132**	**318,387**	**2,089,925**

2. 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.

2.1. 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 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 Exchange Risk Management.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. The Bank also calculates Total open position (TOP), which is the higher of the separately added short and long positions. As at 31 December 2009 the TOP to capital ratio was: Group's – 0.31% (2008: 1.26%), Bank's – 0.31% (2008: 0.41%).

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

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 2009 and prognosis that exchange rate fluctuations will diminish due to stabilisation of global economy in 2010. The Group does not evaluate FX risk on open EUR position as LTL is pegged to EUR at a fixed rate (see Basis of preparation).

Currency	Annual reasonable shift, 2010	Annual reasonable shift, 2009
LVL	1%	10%
GBP	6%	10%
DKK	1%	1%
USD	8%	10%
SEK	5%	5%
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:

	At 31 December 2009	At 31 December 2008
Group	**Impact on profit or loss and equity**	**Impact on profit or loss and equity**
US Dollars	57	238
GBP	16	20
DKK	1	4
SEK	5	7
LVL	1	13
Other currencies	11	7
Total	**91**	**289**

	At 31 December 2009	At 31 December 2008
Bank	**Impact on profit or loss and equity**	**Impact on profit or loss and equity**
US Dollars	57	65
GBP	16	20
DKK	1	4
SEK	5	7
LVL	1	13
Other currencies	11	7
Total	**91**	**116**

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

The Bank’s exposure to foreign currency exchange rate risk is summarised in Note 30. The Note reveals that the Group has exposure to EUR, exposures to other currencies are not significant. The Group follows a very conservative approach to foreign exchange risk and limits all positions with the limits.

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

2.2. 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.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank and the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

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 are approved by the Board of the Bank and 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. The table below summarises interest rates sensitive assets and liabilities based on repricing dates.

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non IR-sensitive	Total
31 December 2009							
Total financial assets	286,605	472,954	614,231	132,420	228,567	184,287	1,919,064
Total financial liabilities	384,640	504,619	329,762	283,954	37,543	270,025	1,810,543
Net interest sensitivity gap at 31 December 2009	(98,035)	(31,665)	284,469	(151,534)	191,024	(85,738)	108,521
Higher/lower impact on profit from balance sheet assets and liabilities	(940)	(264)	1,778	(379)	-	-	196
Higher/lower impact other comprehensive income from from balance sheet assets and liabilities	-	-	-	-	-	507	507
Total higher/lower impact for 2009	(940)	(264)	1,778	(379)	-	507	703
31 December 2008							
Total financial assets	317,917	432,844	654,394	145,790	255,852	117,609	1,924,406
Total financial liabilities	434,488	536,749	259,082	242,791	35,210	261,961	1,770,281
Net interest sensitivity gap at 31 December 2008	(116,571)	(103,905)	395,312	(97,001)	220,642	(144,352)	154,125
Higher/lower impact on profit from balance sheet assets and liabilities	(1,117)	(866)	2,471	(243)	-	-	245
Higher/lower impact other comprehensive income from from balance sheet assets and liabilities	-	-	-	-	-	234	234
Total higher/lower impact for 2008	(1,117)	(866)	2,471	(243)	-	234	479

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

The shift of yield curve according to above mentioned parameters creates acceptable impact on Group's total comprehensive income and makes LTL 196 thousand in 2009 (2008: LTL 245 thousand) higher/lower impact on profit and LTL 507 thousand in 2009 (2008: LTL 234 thousand) higher/lower impact on other comprehensive income.

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

	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non IR-sensitive	Total
31 December 2009							
Total financial assets	354,972	450,390	607,277	176,854	215,928	151,993	1,957,414
Total financial liabilities	384,640	495,619	329,762	283,954	37,543	270,084	1,801,602
Net interest sensitivity gap at 31 December 2009	(29,668)	(45,229)	277,515	(107,100)	178,385	(118,091)	155,812
Higher/lower impact on profit from balance sheet assets and liabilities	(284)	(377)	1,734	(268)	-	-	805
Higher/lower impact other comprehensive income from from balance sheet assets and liabilities	-	-	-	-	-	507	507
Total higher/lower impact for 2009	(284)	(377)	1,734	(268)	-	507	1,312
31 December 2008							
Total financial assets	460,524	440,344	613,839	105,780	241,320	91,223	1,953,030
Total financial liabilities	434,617	527,749	259,082	242,791	35,210	261,947	1,761,396
Net interest sensitivity gap at 31 December 2008	25,907	(87,405)	354,757	(137,011)	206,110	(170,724)	191,634
Higher/lower impact on profit from balance sheet assets and liabilities	248	(728)	2,217	(343)	-	-	1,395
Higher/lower impact other comprehensive income from from balance sheet assets and liabilities	-	-	-	-	-	234	234
Total higher/lower impact for 2008	248	(728)	2,217	(343)	-	234	1,629

The shift of yield curve according to above mentioned parameters creates acceptable impact on Bank's total comprehensive income and makes LTL 805 thousand in 2009 (2008: LTL 1,395 thousand) higher/lower impact on profit and LTL 507 thousand in 2009 (2008: LTL 234 thousand) higher/lower impact on other comprehensive income.

2.4 Equity risk

Equity risk was not assessed due to immaterial volumes.

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

3. Liquidity risk

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.

3.1 Liquidity risk management process

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

The Group controls liquidity risk through established ratios and limits. For the purpose of managing liquidity risk, in addition to the liquidity ratio set by the Bank of Lithuania, which as at 31 December 2009 the Group's ratio was 34.61 (2008: 32.14) and the Bank's 38.23 (2008: 38.75), the Group uses the ratio of liquid assets to the total assets. Liquid assets used in calculation of the above ratio represents funds held at banks and financial institutions with maturity of less than three months, cash, placements with Central Bank and liquid treasury bills. As at 31 December 2009 the above Group's ratio was 18.41 per cent (2008: 14.17 per cent), and the Bank's – 18.53 (2008: 14.38). Recommended lower limit of this ratio is 20 per cent. The main reason for the ratio to fall below recommended limit as at 31 December 2009 is related to the fact that the Bank has not received financing from the EBRD bank by the end of the year. The financing has been received in January 2010 and this ratio is above the recommended limit at the time of approval of these financial statements.

To follow the solvency status the Group and the Bank monitors availability of liquid funds needed to cover liabilities with a maturity of less than 30 days. Based on the Group's liquidity management policy this ratio (i.e. liquid funds / liabilities of less than 30 days) should not be lower than 100 per cent. As at 31 December 2009 the above ratio on the Group's and the Bank's level was 121.87 (2008: 80.68 per cent) per cent and 121.84 (2008: 80.67 per cent) per cent respectively.

The Group and the Bank also calculates 3-months liquidity ratio to monitor longer term liquidity risk. Based on the Group's liquidity risk management policy the lowest recommended limit of this ratio is 36 per cent. As at 31 December 2009 the Group's and the Bank's ratio was 35.72 per cent (2008: 40.30 per cent) and 44.25 per cent (2008: 59.56 per cent) respectively.

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

3.2. Non - derivative cash flows

Undiscounted cash flows in the table below describe presumable liability side outflows which are represented by nominal contract amounts together with 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 funds	-	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 funds	-	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 funds	-	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 funds	-	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**

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

3.3. Remaining contractual maturity off - balance sheet items

Analysis of off-balance sheet items by the remaining maturity is as follows:

Bank	**Up to one month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1to 5 years**	**Over 5 years**	**Total**
At 31 December 2009							
Loan commitments	10,661	5,950	10,766	24,473	18,228	102	70,180
Guarantees	50,240	-	-	-	-	-	50,240
Other commitments	10,814	-	-	2,904	-	-	13,718
Total	71,715	5,950	10,766	27,377	18,228	102	134,138
At 31 December 2008							
Loan commitments	15,486	9,571	6,839	13,996	17,999	534	64,425
Guarantees	68,115	-	-	-	-	-	68,115
Other commitments	2,445	914	200	6,087	-	-	9,646
Total	86,046	10,485	7,039	20,083	17,999	534	142,186

Group	**Up to one month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**Over 5 years**	**Total**
At 31 December 2009							
Loan commitments	4,251	5,950	10,766	24,473	18,228	102	63,770
Finance lease commitments	8,963	-	-	-	-	-	8,963
Guarantees	50,240	-	-	-	-	-	50,240
Other commitments	10,913	-	-	2,904	-	-	13,817
Total	74,367	5,950	10,766	27,377	18,228	102	136,790
At 31 December 2008							
Loan commitments	13,021	9,571	6,839	13,996	17,999	534	61,960
Finance lease commitments	9,196	-	-	-	-	-	9,196
Guarantees	68,115	-	-	-	-	-	68,115
Other commitments	2,445	914	200	6,087	-	-	9,646
Total	92,777	10,485	7,039	20,083	17,999	534	148,917

For additional information on assets used for liquidity management purposes see note 29 Liquidity risk.

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

4. Fair value of financial assets and liabilities

4.1. Financial assets and liabilities not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value. The valuation methods for the assets and liabilities are summarized below.

a) Loans and advances to banks

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

b) Loans and advances to customers and finance lease receivables

Loans and advances and finance lease receivables are net of charges for impairment. The estimated fair value of loans, advances and finance lease receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

c) Investment securities

The fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations.

d) Deposits from banks and due to customers and special lending funds

The estimated fair value of deposits with no stated maturity, which includes non-interestbearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and special and lending funds not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

e) Debt securities in issue

The estimated fair value of debt securities in issue is consider to be similar to the carrying value as the yield on these securities is the similar to the market yield on 31 December 2009.

f) Other assets and other liabilities

The estimated fair value of other assets and other liabilities is similar to the carrying value due to short marturities of these assets and liabilities.

Bank

As at 31 December 2009	**Book value**	**Fair value**
Assets		
Loans	**1,605,635**	**1,476,164**
Loans to individuals:	**222,509**	**176,538**
- Consumer loans	28,221	26,377
- Mortgages	117,931	96,843
- Credit cards	5,771	5,758
- Other	70,586	47,560
Loans to business customers	**1,262,566**	**1,179,702**
- Central and other authorities	65,967	60,399
- Large corporates	184,380	177,745
- SME	1,012,219	941,558
Loans and advances to financial institutions	**120,560**	**119,924**
Investment securities held-to-maturity	143,068	135,492
Other financial assets	1,215	1,215
Liabilities		

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

Due to other banks and financial institutions	**237,315**	**252,925**
Due to customers	**1,528,840**	**1,533,174**
Due to individuals	1,055,003	1,058,699
Due to private companies	254,319	254,743
Due to other enterprises	219,518	219,732
Debt securities in issue	**4,155**	**4,155**
Special and lending funds	**31,292**	**25,799**

As at 31 December 2008

Assets	**Balance sheet value**	**Fair values**
Loans	**1,674,541**	**1,564,047**
Loans to individuals:	**267,560**	**230,794**
- Consumer loans	54,800	49,141
- Mortgages	125,176	98,244
- Credit cards	9,959	9,924
- Other	77,625	73,486
Loans to business customers	**1,244,916**	**1,169,172**
- Central and other authorities	62,516	53,421
- Large corporates	171,230	166,283
- SME	1,008,170	949,468
Loans and advances to financial institutions	**165,065**	**164,080**
Investment securities held-to-maturity	147,038	119,590
Other financial assets	7,810	7,810
Liabilities		
Due to other banks and financial institutions	**445,945**	**459,220**
Due to customers	**1,259,755**	**1,252,669**
Due to individuals	904,920	899,068
Due to private companies	214,974	213,767
Due to other enterprises	139,861	139,834
Debt securities in issue	**24,997**	**24,997**
Special and lending funds	**30,699**	**32,670**

Group

As at 31 December 2009

Assets	**Book value**	**Fair value**
Loans	**1,535,740**	**1,389,094**
Loans to individuals:	**235,765**	**188,806**
- Consumer loans	28,221	26,377
- Mortgages	117,931	96,843
- Credit cards	19,027	18,026
- Other	70,586	47,560
Loans to business customers	**1,189,433**	**1,106,952**
- Central and other authorities	65,967	60,399
- Large corporates	184,380	177,745
- SME	939,086	868,808
Loans and advances to financial institutions	**9,130**	**8,963**
Finance lease receivables	**101,412**	**84,373**
Investment securities held-to-maturity	146,041	138,465
Other financial assets	26,775	26,775
Liabilities		

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

Due to other banks and financial institutions	**246,272**	**261,882**
Due to customers	**1,528,824**	**1,533,158**
Due to individuals	1,055,003	1,058,699
Due to private companies	254,335	254,759
Due to other enterprises	219,486	219,700
Debt securities in issue	**4,155**	**24,997**
Special and lending funds	**31,292**	**32,670**
Other financial liabilities	**2,110**	**2,110**

As at 31 December 2008

Assets	**Balance sheet value**	**Fair values**
Loans	**1,618,850**	**1,490,683**
Loans to individuals:	**283,697**	**245,011**
- Consumer loans	54,800	49,141
- Mortgages	125,176	98,244
- Credit cards	24,577	22,621
- Other	79,144	75,005
Loans to business customers	**1,181,329**	**1,109,009**
- Central and other authorities	62,516	53,421
- Large corporates	171,230	166,283
- SME	947,583	889,305
Loans and advances to financial institutions	**24,988**	**24,746**
Finance lease receivables	**128,836**	**111,917**
Investment securities held-to-maturity	**150,012**	**122,564**
Other financial assets	28,918	28,918
Liabilities		
Due to other banks and financial institutions	**445,835**	**459,110**
Due to customers	**1,259,750**	**1,252,664**
Due to individuals	904,920	899,068
Due to private companies	214,979	213,772
Due to other enterprises	139,851	139,824
Debt securities in issue	**24,997**	**24,997**
Special and lending funds	**30,699**	**32,670**
Other financial liabilities	**3,845**	**3,845**

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

4.2. Financial assets and liabilities measured at fair value

a) Fair value herarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lithuanian Stock Exchange, London Stock Exchange, Frankfurt Stock Exchange).

• Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The Group does not have financial assets measured at fair value calculated based on Level 2 inputs.

• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes Group's investments into unlisted equity securities. Fair value for financial assets measured at fair value according to level 3 principles is established based on expected discounted net future cash flows from activities of these companies. Discount rate is based on the cost of financing used for investments in these companies.

The Bank and the Group does not have financial liabilities measured at fair value.

b) Measurement of financial assets and liabilities according to the fair value herarchy

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
LEVEL I				
Financial assets at fair value through profit or loss				
Corporate bonds	2,973	-	2,975	-
Listed equity securities	-	-	551	551
Units of investment funds	83	83	121	121
Available for sale financial assets				
Local government bonds	29,545	29,545	4,273	4,273
Local corporate debt securities	41,737	41,737	16,335	16,335
Investment fund units	286	286	213	213
TOTAL LEVEL I	**74,624**	**71,651**	**24,468**	**21,493**
LEVEL III				
Financial assets at fair value through profit or loss				
Unlisted equity securities	38	38	42	42
Available for sale financial assets				
Unlisted equity securities	14,668	515	16,039	515
TOTAL LEVEL III	**14,706**	**553**	**16,081**	**557**

During year 2009 the Group has recognized LTL 1,371 thousand reduction in fair value in unlisted equity securities. The reduction in fair value has been included into Gain (loss) from revaluation of financial assets line of other comprehensive income. No other movements in financial assets measured at fair value according to Level 3 principles has taken place during the year.

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

5. Operational risk

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

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

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

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

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

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

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

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

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

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

6. 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 twice a year in accordance with the requirements set by the Bank of Lithuania.

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

7. 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 EUR 5 million;
2) minimum capital adequacy ratio, calculated as the regulatory capital to the risk-weighted assets, must be no less than 8 per cent.

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, reserve capital (share premium), additional reserve capital, retained earnings of the previous financial year, loss of the current year, other reserves and statutory reserve less the intangible assets and negative revaluation reserve of financial assets;
2) Tier 2 capital consists of 85 per cent of revaluation reserves of financial assets provided that these reserves are positive.

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

The risk-weighted assets are measured under a standardised approach using 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.

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

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

		2009		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
Current year loss	(35,551)	(30,114)	-	-
Other reserves (statutory reserve)	16,376	15,981	3,698	3,405
Negative 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**
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 requirements for:				
(Credit risk) of groups of positions under the Standardised Approach	122,038	123,501	128,359	129,177
Debt financial instruments	1,034	775	499	240
Equity securities	1,809	111	2,025	170
Foreign exchange positions	12,145	12,005	3,084	2,045
Operational risk under the Basic Indicator Approach	8,930	8,354	10,971	8,217
Total capital requirements	**145,956**	**144,746**	**144,938**	**139,849**
Capital adequacy (solvency) ratio, %	**13.90**	**13.90**	**15.21**	**15.08**

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

CRITICAL ACCOUNTING ESTIMATES

Impairment losses on loan and finance lease receivables. The Bank and the Group review their loan and finance lease portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss , the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and finance lease before the decrease can be identified with an individual loan or lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or national or local economic conditions that correlate with defaults on loans and receivables in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. To the extent that impairment provision for loan and finance lease losses differs by +/- 5%, the impact on the provision at the Group and the Bank as at 31 December 2009 would be higher or lower by LTL 2,244 thousand (2008: LTL 657 thousand) and LTL 2,014 thousand (2008: LTL 563 thousand) respectively.

Impairment losses on investments in subsidiaries. The Bank tests investments in its subsidiaries for impairment when impairment indicators are identified. The Bank establishes recoverable amount of investments in subsidiary companies based on discounted future estimated net cash flows to be earned by a subsidiary. Future net cash flows to be earned by investment management and real estate development subsidiaries are based on estimated inflow from sales of financial and other assets held by these subsidiaries less estimated cash outflow related to management and development costs. Future net cash flows from subsidiary involved in leasing operations are estimated based on future expected interest income to be earned on lease portfolio less cash outflows related to financing activities and administration costs. Discount rates are based on current cost of capital used for investments in these subsidiaries. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Inventories. Net realizable value of apartments held for sale and property for development is based either on current estimated sales price of an asset or on expected discounted future cash flows from future development and realization of an asset based on the Group's management plans with respect to a certain asset. Inputs in estimating sales price and future cash flows from development of an asset are based on current market prices. The Group's management applies judgement in estimating cash flows and discount rates used in impairment testing.

Impairment losses on receivables. The Group test receivables for impairment when loss events (delays in payments or significant financial difficulties or a debtor) are identified. Recoverable amount of receivables is established individually based on discounted expected future payments to be received. The management applies judgement in estimating timing, amounts and probabilities of future cash flows to be received from debtors.

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than for certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost.

Taxes. The tax authorities have carried out a full-scope tax audit at the Bank for the years 1998 to 2001 (income tax audit was done for the period from 1998 to 2000). There were no significant remarks or disputes. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

The deferred tax assets recognised at 31 December 2009 have been based on future profitability assumptions of the Bank over a five year horizon. In the event of changes to these profitability assumptions, the tax assets recognised may be adjusted.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

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

SEGMENT INFORMATION

Below, there is a summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2009 and in the statement of comprehensive income for the year then ended:

	Šiauliai region	Vilnius region	Klaipėda region	Head-quarters	Leasing	Investment management	Real estate development	Eliminations	Total Group
Internal	509	7,678	1,556	4,776	(9,841)	(2,437)	(2,241)	-	-
External	10,688	(2,105)	4,923	(429)	14,551	636	935	-	29,199
Net interest income	11,197	5,573	6,479	4,347	4,710	(1,801)	(1,306)	-	29,199
Internal	420	7,778	1,522	5,155	(10,195)	(2,438)	(2,242)	-	-
External	15,113	2,554	7,159	(3,569)	14,485	659	946	-	37,347
Net interest, fee and commissions income	15,533	10,332	8,681	1,586	4,290	(1,779)	(1,296)	-	37,347
Internal		-	-	(4,773)	3,000	927	846		-
External	(6,970)	(35,041)	(3,410)	400	(4,781)	(846)	204		(50,444)
Impairment expenses	(6,970)	(35,041)	(3,410)	(4,373)	(1,781)	81	1,050	-	(50,444)
Internal	(931)	(325)	(228)	1,512	(193)	(25)	(27)	217	-
External	(3,061)	(8,108)	(3,635)	(13,141)	(2,182)	(607)	(1,203)	-	(31,937)
Operating expenses	(3,992)	(8,433)	(3,863)	(11,629)	(2,375)	(632)	(1,230)	217	(31,937)
Amortisation charges	-	(10)	(5)	(390)	(3)	-	(3)	-	(411)
Depreciation charges	(446)	(1,284)	(537)	(1,124)	(827)	(17)	(64)	-	(4,299)
Internal	46	(10)	2	6,557	(1)	-	-	(6,594)	-
External	568	979	449	1,031	461	2,372	2,504	-	8,364
Net other income	614	969	451	7,588	460	2,372	2,504	(6,594)	8,364
Profit (loss) before tax	4,739	(33,467)	1,317	(8,342)	(236)	25	961	(6,377)	(41,380)
Income tax			-	5,639	219	-	(29)	-	5,829
Profit (loss) per segment after tax	4,739	(33,467)	1,317	(2,703)	(17)	25	932	(6,377)	(35,551)
Minority interest	-	-	-	-	-	-	-	-	-
Profit (loss) for the year attributable to equity holders of the Bank	4,739	(33,467)	1,317	(2,703)	(17)	25	932	(6,377)	(35,551)
Total segment assets	606,673	1,058,928	392,396	891,799	127,888	44,775	41,723	(1,090,384)	2,073,798
Total segment liabilities	601,934	1,092,395	391,079	610,351	125,713	41,634	37,508	(1,081,000)	1,819,614
Net segment assets (shareholders' equity)	4,739	(33,467)	1,317	281,448	2,175	3,141	4,215	(9,384)	254,184

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

SEGMENT INFORMATION (CONTINUED)

Below, there is a summary of major indicators for the main business segments of the Group included in the Statement of financial position as at 31 December 2008 and in the statement of comprehensive income for the year then ended:

	Šiauliai region	Vilnius region	Klaipėda region	Head-quarters	Leasing	Investment management	Real estate development	Eliminations	Total Group
Internal	960	6,623	1,092	2,728	(8,023)	(1,763)	(1,617)	-	-
External	11,511	15,573	7,907	(3,660)	14,368	828	1,439	-	47,966
Net interest income	12,471	22,196	8,999	(932)	6,345	(935)	(178)	-	47,966
Internal	929	6,591	1,067	3,260	(8,465)	(1,764)	(1,618)	-	-
External	16,281	20,880	10,342	(6,642)	14,264	894	1,468	-	57,487
Net interest, fee and commissions income	17,210	27,471	11,409	(3,382)	5,799	(870)	(150)	-	57,487
Impairment expenses	475	(4,669)	(3,154)	(400)	(1,047)	5	(12)	-	(8,802)
Internal	(791)	(143)	(235)	1,205	(208)	(24)	(29)	225	-
External	(4,071)	(9,520)	(4,240)	(14,260)	(2,668)	(647)	(1,058)	-	(36,464)
Operating expenses	(4,862)	(9,663)	(4,475)	(13,055)	(2,876)	(671)	(1,087)	225	(36,464)
Amortisation charges	-	(12)	(5)	(562)	(14)	-	(3)	-	(596)
Depreciation charges	(411)	(1,202)	(540)	(1,044)	(737)	(20)	(64)	-	(4,018)
Internal	119	(100)	(65)	9,083	(15)	-	-	(9,022)	-
External	624	1,849	580	(2,089)	704	4,058	4,255	-	9,981
Net other income	743	1,749	515	6,994	689	4,058	4,255	(9,022)	9,981
Profit before tax	13,155	13,674	3,750	(11,449)	1,814	2,502	2,939	(8,797)	17,588
Income tax	-	-	-	(1,605)	(354)	-	153	-	(1,806)
Profit per segment after tax	13,155	13,674	3,750	(13,054)	1,460	2,502	3,092	(8,797)	15,782
Minority interest	-	-	-	-	-	(991)	(1,450)	-	(2,441)
Profit for the year attributable to equity holders of the Bank	13,155	13,674	3,750	(13,054)	1,460	1,511	1,642	(8,797)	13,341
Total segment assets	538,645	1,007,169	363,491	969,936	159,346	43,112	34,385	(1,036,510)	2,079,574
Total segment liabilities	525,490	993,495	359,741	717,634	156,654	39,199	27,112	(1,034,375)	1,784,950
Net segment assets (shareholders' equity)	13,155	13,674	3,750	252,302	2,692	3,913	7,273	(2,135)	294,624

Distribution of the Group's assets and revenue according to geographical segmentation

All Bank's and Group's non current assets other than financial instruments are located in Lithuania. No material revenue is earned by the Group in foreign countries.

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

NOTE 1 NET INTEREST INCOME

	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
- held to maturity	6,413	6,149	7,350	7,112
- available for sale	2,753	2,753	1,231	1,231
- at fair value through profit or loss	403	139	472	234
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)
compulsory insurance of deposits	(6,326)	(6,326)	(6,108)	(6,108)
on debt securities issued	(1,019)	(1,019)	(1,679)	(1,679)
Total interest expense	(113,601)	(112,878)	(92,268)	(91,723)
Net interest income	**29,199**	**27,596**	**47,966**	**42,734**

NOTE 2 NET FEE AND COMMISSION INCOME

	2009		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**

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

NOTE 3 NET GAIN (LOSS) ON OPERATIONS WITH SECURITIES

	2009		2008	
	Group	Bank	Group	Bank
Trading securities				
Realised gain on trading equity securities	(268)	(268)	(2,074)	(2,102)
Unrealised gain on trading equity securities	345	345	(661)	(661)
Realised gain (loss) on trading debt securities	-	-	813	813
Unrealised (loss) on trading debt securities	-	-	(99)	(99)
Net gain on trading securities	77	77	(2,021)	(2,049)
Realised gain on available-for-sale securities	39	39	(10)	-
Dividend and other income from equity securities held for trading	23	23	61	61
Dividend and other income from available-for-sale equity securities	4,806	182	7,979	54
Total	4,945	321	6,009	(1,934)

NOTE 4 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2009		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
Transportation, post and communications expenses	2,186	1,842	2,137	2,047
Amortisation of intangible assets	411	405	596	579
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
Legal costs incurred due to debt recovery	900	803	191	169
Other operating expenses	2,746	2,170	3,279	2,255
Total	36,647	31,713	41,078	35,831

NOTE 5 GAIN ON DISPOSAL OF ASSETS

In 2009 loss on disposal of real estate assets at the Group amounted to LTL 113 thousand (Bank LTL 14 thousand gain). In 2008 gain on disposal of real estate assets at the Group level amounted to LTL 249 thousand (Bank LTL 8 thousand).

NOTE 6 OTHER INCOME

	2009		2008	
	Group	Bank	Group	Bank
Income from lease of assets	908	384	806	321
Other income	222	124	335	238
Total	1,130	508	1,141	559

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

NOTE 7 IMPAIRMENT LOSSES ON LOANS AND OTHER ASSETS

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Impairment losses on loans:				
Impairment charge for the year	45,554	42,948	7,628	7,431
Recoveries of loans previously written off	(169)	(72)	(109)	(83)
Total impairment losses on loans	45,385	42,876	7,519	7,348
Impairment losses on finance lease receivables:				
Impairment charge for the year	2,064	-	1,023	-
Recovered previously written-off finance lease receivables	(144)	-	(86)	-
Total impairment losses on finance lease	1,920	-	937	-
Expenses for provisions on:				
Investments in subsidiaries	-	4,773	-	-
Available for sale financial assets and other assets	3,139	2,145	346	400
Total	50,444	49,794	8,802	7,748

NOTE 8 INCOME TAX

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Current tax	-	-	2,059	1,671
Deferred taxes	(5,711)	(5,519)	(49)	(49)
Adjustments of previous year income tax	(118)	(120)	(204)	(17)
Total	(5,829)	(5,639)	1,806	1,605

The tax on the Bank’s and the Group’s profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Profit before income tax	(41,380)	(35,753)	17,588	19,130
Tax calculated at a tax rate of 15% for 2009 (2008: 20%)	(8,276)	(7,151)	2,638	2,870
Income not subject to tax	(4,266)	(2,223)	(2,219)	(2,166)
Expenses not deductible for tax purposes	3,914	1,831	1,725	1,052
Adjustment of previous year income tax	(118)	(120)	(204)	(17)
Utilisation of tax losses for which no deferred tax asset was recognized	749	46	-	-
Utilization of tax exemption on dividends	-	-	(134)	(134)
Effect of change in income tax rate	2,168	1,978	-	-
Income tax charge (income)	(5,829)	(5,639)	1,806	1,605

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

NOTE 8 INCOME TAX (CONTINUED)

Deferred tax assets	Group				Bank			
	Revaluation of securities and other assets	Accruals	Taxable losses carried forward	Total	Revaluation of securities	Accruals	Taxable losses carried forward	Total
At 31 December 2007	-	(221)	-	(221)	-	(221)	-	(221)
To be credited/(charged) to net profit	(83)	(146)	-	(229)	(83)	(146)	-	(229)
To be credited/ (charged) to equity	(2)	-	-	(2)	(2)	-	-	(2)
At 31 December 2008	(85)	(367)	-	(452)	(85)	(367)	-	(452)
To be credited/ (charged) to equity	2	-	-	2	2	-	-	2
To be credited/(charged) to net profit	(52)	176	(5,725)	(5,601)	77	176	(5,623)	(5,370)
At 31 December 2009	(135)	(191)	(5,725)	(6,051)	(6)	(191)	(5,623)	(5,820)

Deferred tax liabilities	Group			Bank		
	Revaluation of securities	Fixed assets	Total	Revaluation of securities	Fixed assets	Total
At 31 December 2007	123	323	446	123	323	446
To be credited/(charged) to net profit	(47)	227	180	(47)	227	180
To be credited/ (charged) to equity	(76)	-	(76)	(76)	-	(76)
At 31 December 2008	-	550	550	-	550	550
To be credited/(charged) to net profit	-	(110)	(110)	-	(149)	(149)
To be credited/ (charged) to equity	195	-	195	195	-	195
At 31 December 2009	195	440	635	195	401	596

Taxable losses of the Group and the Bank are carried forward for indefinite term through the use of future taxable profits.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2009		2008	
	Group	Bank	Group	Bank
Deferred tax assets	(6,051)	(5,820)	(452)	(452)
Deferred tax liabilities	635	596	550	550
Net deferred tax (asset) liability	(5,416)	(5,224)	98	98

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

NOTE 9 EARNINGS PER SHARE

Basic earnings per share are 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, therefore, diluted earnings per share are the same as basic earnings per share.

Weighted average number of shares in issue for the year ended 31 December 2009 was 180,358 thousand. Weighted average number of shares for the year ended 31 December 2008 was 180,358 thousand.

Earnings (loss) per share

Group	**2009**	**2008**
Net profit (loss) (in LTL thousand)	(35,551)	13,341
Weighted average number of shares in issue during the period (thousand units)	180,358	180,358
Earnings (loss) per share (LTL per share)	(0.20)	0.07

Bank	**2009**	**2008**
Net profit (loss) (in LTL thousand)	(30,114)	17,525
Weighted average number of shares in issue during the period (thousand units)	180,358	180,358
Earnings (loss) per share (LTL per share)	(0.17)	0.10

NOTE 10 CASH AND CASH EQUIVALENTS

	2009		**2008**	
	Group	**Bank**	**Group**	**Bank**
Cash and other valuables	34,669	34,651	41,116	41,114
Balances in bank deposit accounts	19,420	19,381	35,135	35,125
Balances in bank correspondent accounts	18,407	18,407	19,866	19,866
Placements with Central Bank:				
Correspondent account with Central Bank	37,422	37,422	-	-
Mandatory reserves in national currency	58,790	58,790	46,822	46,822
Total placements with Central Bank	96,212	96,212	46,822	46,822
Total	168,708	168,651	142,939	142,927

Mandatory reserves in Central Bank 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 Bank of Lithuania pays interest for the required reserves.

NOTE 11 AMOUNTS DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	2009		**2008**	
	Group	**Bank**	**Group**	**Bank**
Balances in bank deposit accounts	2,214	2,214	1,220	1,220

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

NOTE 12 TRADING SECURITIES

	2009		2008	
	Group	Bank	Group	Bank
Debt securities:				
Government bonds	-	-	-	-
Corporate bonds	2,973	-	2,975	-
Total debt securities	**2,973**	**-**	**2,975**	**-**
Equity securities:				
Listed	-	-	551	551
Unlisted	38	38	42	42
Units of investment funds	83	83	121	121
Total equity securities	**121**	**121**	**714**	**714**
Total	**3,094**	**121**	**3,689**	**714**
Breakdown of securities by their maturity:				
Short-term (up to 1 year)	3,094	121	3,689	714
Long-term (over 1 year)	-	-	-	-
Total	**3,094**	**121**	**3,689**	**714**

Trading securities have not been pledged as at 31 December 2008 and 2009.

Trading securities are accounted at fair value that is determined using level 1 requirements as described in fair value hierarchy according to IFRS 7, i.e. fair value is based on quated prices in active markets for identical assets and liabilities.

Breakdown of the Bank‘s trading securities as at 31 December 2009 and 2008:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
From A- to A+	-	-	-	-	-	-	-	-
No rating	-	-	-	-	38	593	83	121
Total	-	-	-	-	38	593	83	121

Breakdown of the Group‘s trading securities as at 31 December 2009 and 2008:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
From A- to A+	-	-	-	-	-	-	-	-
No rating	-	-	2,973	2,975	38	593	83	121
Total	-	-	2,973	2,975	38	593	83	121

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

NOTE 13 LOANS TO CUSTOMERS

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Gross loans to customers	1,476,688	1,645,917	1,501,504	1,685,809
Allowance for loan impairment	(42,360)	(40,282)	(11,490)	(11,268)
Net loans to customers	1,434,328	1,605,635	1,490,014	1,674,541
Breakdown of loans to customers according to maturity				
Short-term (up to 1 year)	588,262	768,577	603,287	796,727
Long-term (over 1 year)	846,066	837,058	886,727	877,814
Total	1,434,328	1,605,635	1,490,014	1,674,541

	Group	**Bank**
Allowance for loan impairment as at 31 December 2007	7,546	7,170
Allowance for impairment of loans written off during the year as uncollectible	(3,665)	(3,313)
Currency translation differences and other adjustments	(19)	(19)
Increase in allowance for loan impairment (Note 7)	7,628	7,430
Allowance for loan impairment as at 31 December 2008	**11,490**	**11,268**
Allowance for impairment of loans written off during the year as uncollectible	(14,726)	(13,976)
Currency translation differences and other adjustments	42	42
Increase in allowance for loan impairment (Note 7)	45,554	42,948
Allowance for loan impairment as at 31 December 2009	**42,360**	**40,282**

Movements in allowance for loan impairment by separate class is provided below:

31 December 2008

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
As at 1 Jan 2009	2,258	311	426	356	3,351
Change in allowance for loan impairment	5,331	2,087	2,942	1,270	11,630
Loans written off during the year	(3,499)	-	(1,080)	-	(4,579)
As at 31 Dec 2009	4,090	2,398	2,288	1,626	10,402

	Group loans to business customers			
	Large corporates	**SME**	**Central and local authorities and other**	**Total**
As at 1 Jan 2009	-	8,132	7	8,139
Change in allowance for loan impairment	-	33,920	4	33,924
Loans written off during the year	-	(10,147)	-	(10,147)
Influence of FX rate shift	-	42	-	42
As at 31 Dec 2009	-	31,947	11	31,958

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

NOTE 13 LOANS TO CUSTOMERS (CONTINUED)

31 December 2008

	Group loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
As at 1 Jan 2008	701	10	539	34	1,284
Change in allowance for loan impairment	1,924	301	(104)	322	2,443
Loans written off during the year	(367)	-	(9)	-	(376)
As at 31 Dec 2008	2,258	311	426	356	3,351

31 December 2008

	Group loans to business customers			
	Large corporates	**SME**	**Central and local authorities and other**	**Total**
As at 1 Jan 2008	-	6,253	9	6,262
Change in allowance for loan impairment	-	5,187	(2)	5,185
Loans written off during the year as uncollectible	-	(3,289)	-	(3,289)
Influence of FX rate shift	-	(19)	-	(19)
As at 31 Dec 2008	-	8,132	7	8,139

31 December 2009

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
As at 1 Jan 2009	2,258	311	207	356	3,132
Change in allowance for loan impairment	5,331	2,087	790	1,270	9,478
Loans written off during the year	(3,499)	-	(330)	-	(3,829)
As at 31 Dec 2009	4,090	2,398	667	1,626	8,781

	Bank loans to business customers			
	Large corporates	**SME**	**Central and local authorities and other**	**Total**
As at 1 Jan 2009	-	8,129	7	8,136
Change in allowance for loan impairment	-	33,466	4	33,470
Loans written off during the year	-	(10,147)	-	(10,147)
Influence of FX rate shift	-	42	-	42
As at 31 Dec 2009	-	31,490	11	31,501

31 December 2008

	Bank loans to individuals (retail)				
	Consumer loans	**Mortgages**	**Credit cards**	**Other**	**Total**
As at 1 Jan 2008	701	10	163	34	908
Change in allowance for loan impairment	1,572	301	53	322	2,248
Loans written off during the year	(15)	-	(9)	-	(24)
As at 31 Dec 2008	2,258	311	207	356	3,132

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

NOTE 13 LOANS TO CUSTOMERS (CONTINUED)

	Bank loans to business customers			
	Large corporates	SME	Central and local authorities and other	Total
As at 1 Jan 2008	-	6,253	9	6,262
Change in allowance for loan impairment	-	5,184	(2)	5,182
Loans written off during the year	-	(3,289)	-	(3,289)
Influence of FX rate shift	-	(19)	-	(19)
As at 31 Dec 2008	-	8,129	7	8,136

NOTE 14 FINANCE LEASE RECEIVABLES

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Gross investments in leasing:				
Balance at 31 December 2008	64,554	68,830	21,090	154,474
Change during 2009	(16,881)	(19,310)	4,065	(32,126)
Balance at 31 December 2009	47,673	49,520	25,155	122,348
Unearned finance income on finance leases:				
Balance at 31 December 2008	8,134	12,595	3,250	23,979
Change during 2009	(2,796)	(4,728)	1,955	(5,569)
Balance at 31 December 2009	5,338	7,867	5,205	18,410
Net investments in leasing before provisions:				
At 31 December 2008	56,420	56,235	17,840	130,495
At 31 December 2009	42,335	41,653	19,950	103,938
Changes in provisions:				
Balance as at 31 December 2007	-	1,124	-	1,124
Additional provisions charged	-	1,023	-	1,023
Provisions for finance lease debts written off	-	(488)	-	(488)
Balance at 31 December 2008	-	1,659	-	1,659
Additional provisions charged	-	2,064	-	2,064
Provisions for finance lease debts written off	-	(1,197)	-	(1,197)
Balance at 31 December 2009	-	2,526	-	2,526
Net investments in leasing after provisions:				
At 31 December 2008	56,420	54,576	17,840	128,836
At 31 December 2009	42,335	39,127	19,950	101,412

Movements in provision for impairment of finance lease receivables by class are as follows:

	2009			2008		
	Individuals	Business customers	Total	Individuals	Business customers	Total
As at 1 January	926	733	1,659	758	366	1,124
Change in allowance for finance lease impairment	1,623	441	2,064	656	367	1,023
Amounts written off during the year	(971)	(226)	(1,197)	(488)	-	(488)
As at 31 December	1,578	9,48	2,526	926	733	1,659

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

NOTE 15 INVESTMENT SECURITIES

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Securities available for sale:				
Equity securities:				
Unlisted equity securities	14,668	515	16,039	515
Investment fund units	286	286	213	213
Total	14,954	801	16,252	728
Debt securities:				
Local government bonds	29,545	29,545	4,273	4,273
Local corporate debt securities	41,737	41,737	16,335	16,335
Treasury debt securities of foreign countries	-	-	-	-
Total	71,282	71,282	20,608	20,608
Total securities available for sale	86,236	72,083	36,860	21,336
Breakdown of securities available for sale according to maturity				
Short-term (up to 1 year)	66,076	66,076	14,456	14,456
Long-term (over 1 year)	20,160	6,007	22,404	6,880
Total	86,236	72,083	36,860	21,336

Breakdown of the Bank's securities available for sale as at 31 December 2009 and 2008:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
AAA	-	-	-	-	-	-	-	-
From A- to A+	-	-	36,737	16,335	-	-	-	-
From BBB- to BBB+	29,545	4,273	5,000	-	-	-	-	-
Below BB-	-	-	-	-	-	-	-	-
No rating	-	-	-	-	515	515	286	213
Total	29,545	4,273	41,737	16,335	515	515	286	213

Breakdown of the Group's securities available for sale as at 31 December 2009 and 2008:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
AAA	-	-	-	-	-	-	-	-
From A- to A+	-	-	36,737	16,335	-	-	-	-
From BBB- to BBB+	29,545	4,273	5,000	-	-	-	-	-
Below BB-	-	-	-	-	-	-	-	-
No rating	-	-	-	-	14,668	16,039	286	213
Total	29,545	4,273	41,737	16,335	14,668	16,039	286	213

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

NOTE 15 INVESTMENT SECURITIES (CONTINUED)

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Held-to-maturity securities:				
Local government bonds	114,842	114,842	115,424	115,424
Local corporate bonds	2,973	0	4,629	1,655
Foreign government bonds	21,779	21,779	23,482	23,482
Foreign corporate bonds	6,447	6,447	6,477	6,477
Total held-to-maturity securities	**146,041**	**143,068**	**150,012**	**147,038**
Breakdown of held to maturity securities according to maturity				
Short-term (up to 1 year)	7,392	4,419	6,383	3,409
Long-term (over 1 year)	138,649	138,649	143,629	143,629
Total	146,041	143,068	150,012	147,038

The cash flows of held-to-maturity securities:

	2009	**2008**
As at 1 January	147,038	164,163
Acquisitions	2,846	-
Redemptions	6,322	17,855
Accrued interest	6,149	7,112
Received coupon payment	6,691	7,882
Reclassifications	48	1,500
Disposals	-	-
Foreign currency exchange rate impact	-	-
As at 31 December	143,068	147,038

The carrying amounts and fair values of held-to-maturity securities:

	2009		2008	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Local government bonds	107,200	114,842	91,466	115,424
Local corporate bonds	0	0	1,570	1,655
Foreign government bonds	21,826	21,779	21,128	23,482
Foreign corporate bonds	6,466	6,447	5,426	6,477
Total held-to-maturity securities	135,492	143,068	119,590	147,038

No investment securities were pledged as at 31 December 2009 and 2008.

Breakdown of the Bank's held-to-maturity securities as at 31 December 2009 and 2008:

Rating	**Treasury bills**		**Municipality debt securities**		**Corporate debt securities**	
Bank	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
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

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

NOTE 15 INVESTMENT SECURITIES (CONTINUED)

Breakdown of the Group's held-to-maturity securities as at 31 December 2009 and 2008:

Rating	Treasury bills		Municipality debt securities		Corporate debt securities	
Group	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
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

NOTE 16 INVESTMENTS IN SUBSIDIARIES

	2009				2008		
Bank	**Share in equity**	**Acquisition cost**	**Impairment provision**	**Carrying amount**	**Share in equity**	**Acquisition cost**	**Carrying amount**
Investments in consolidated subsidiaries:							
ŠB Lizingas UAB	100.0%	5,000	3,000	2,000	100.0%	1,000	1,000
ŠB Investicijų Valdymas UAB	100.0%	4,040	927	3,113	60.4%	604	604
ŠB Turto Fondas UAB	100.0%	5,117	846	4,271	53.1%	531	531
Total		14,157	4,773	9,384		2,135	2,135

Acquisition cost includes costs of investment into share capital and reduction of retained losses of SB Lizingas UAB amounting to LTL 3 million. In 2009 the Bank repurchased all shares of its subsidiaries SB Investicijų Valdymas UAB and SB Turto Fondas UAB from minority shareholders. Consideration paid was equal to the carrying value of the shares of net assets of subsidiaries acquired.

Due to impairment indicators identified as at 31 December 2009 investments in subsidiaries have been tested for impairment. As the calculated recoverable amount was lower than the acquisition cost, impairment has been recognized.

NOTE 17 INTANGIBLE ASSETS

	Group	Bank
	Software and licences	**Software and licences**
As at 31 December 2007:		
Cost	5,516	5,265
Accumulated amortisation	(4,265)	(4,038)
Net book value	1,251	1,227
Year ended 31 December 2008:		
Net book value at 1 January	1,251	1,227
Acquisitions	137	132
Write-offs	(1)	-
Amortisation charge	(596)	(579)
Net book value at 31 December	791	780
As at 31 December 2008:		
Cost	5,649	5,395
Accumulated amortisation	(4,858)	(4,615)
Net book value	791	780

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

NOTE 17 INTANGIBLE ASSETS (CONTINUED)

Year ended 31 December 2009:		
Net book value at 1 January	791	780
Acquisitions	225	225
Write-offs		
Amortisation charge	(411)	(405)
Net book value at 31 December	605	600
As at 31 December 2009:		
Cost	5,117	4,863
Accumulated amortisation	(4,512)	(4,263)
Net book value	605	600
Useful life (in years)	3 - 9	3 - 9

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
As at 31 December 2007:					
Cost/revalued amount	38,172	6,897	14,959	4,714	64,742
Accumulated depreciation	(3,346)	(1,635)	(8,482)	-	(13,463)
Net book value	34,826	5,262	6,477	4,714	51,279
Year ended 31 December 2008:					
Net book value at 1 January	34,826	5,262	6,477	4,714	51,279
Acquisitions	6,995	3,371	3,800	234	14,400
Disposals and write-offs	(1)	(153)	(200)	(4,948)	(5,302)
Depreciation charge	(867)	(898)	(2,253)	-	(4,018)
Net book value at 31 December	40,953	7,582	7,824	-	56,359
As at 31 December 2008:					
Cost/revalued amount	45,167	9,873	17,596	-	72,636
Accumulated depreciation	(4,214)	(2,291)	(9,772)	-	(16,277)
Net book value	40,953	7,582	7,824	-	56,359
Year ended 31 December 2009:					
Net book value at 1 January	40,953	7,582	7,824	-	56,359
Acquisitions	810	1,531	711	121	3,173
Disposals and write-offs	(2,093)	(638)	(211)	(88)	(3,030)
Reclassification	-	852	(852)	-	-
Depreciation charge	(948)	(1,092)	(2,259)	-	(4,299)
Net book value at 31 December	38,722	8,235	5,213	33	52,203
As at 31 December 2009:					
Cost	43,884	11,315	15,911	33	71,143
Accumulated depreciation	(5,162)	(3,080)	(10,698)	-	(18,940)
Net book value	38,722	8,235	5,213	33	52,203
Useful life (in years)	15-50	5-12	3-20	-	

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

NOTE 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The total balance of the Group's assets in the table above includes assets leased under operating lease agreements as at 31 December 2009, as follows:

Group	**Buildings and premises**	**Vehicles**	**Equipment**	**Total**
As at 31 December 2007:				
Cost	1,036	3,733	202	4,971
Accumulated depreciation	(192)	(759)	(98)	(1,049)
Net book value	844	2,974	104	3,922
Year ended 31 December 2008:				
Net book value at 1 January	844	2,974	104	3,922
Increase	6,397	203	19	6,619
Decrease	-	(121)	(55)	(176)
Depreciation charge	(169)	(440)	(53)	(662)
Net book value at 31 December	7,072	2,616	15	9,703
As at 31 December 2008:				
Cost	7,526	3,742	43	11,311
Accumulated depreciation	(454)	(1,126)	(28)	(1,608)
Net book value	7,072	2,616	15	9,703
Year ended 31 December 2009:				
Net book value at 1 January	7 072	2 616	15	9 703
Increase	44	3,445	7	3,496
Decrease	(2,093)	(180)	(6)	(2,279)
Depreciation charge	(165)	(616)	(4)	(785)
Net book value at 31 December	4,858	5,265	12	10,135
As at 31 December 2009:				
Cost	5,477	6,892	44	12,413
Accumulated depreciation	(619)	(1,627)	(32)	(2,278)
Net book value	4,858	5,265	12	10,135
Useful life (in years)	15	6-12	3-5	

As at 31 December 2009 and 31 December 2008, there were no tangible fixed assets pledged to third parties.

Future minimum lease payments to be received under non-cancelable operating lease agreements for the Bank and the Group were as follows:

	2009			**2008**		
	up to 1 year	1-5 years	over 5 years	up to 1 year	1-5 years	over 5 years
Bank	254	30	9	287	40	9
Group	509	394	20	747	609	38

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

NOTE 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	**Buildings and premises**	**Vehicles**	**Office equipment**	**Construction in progress**	**Total**
As at 31 December 2007:					
Cost/revalued amount	36,380	3,358	12,530	4,714	56,982
Accumulated depreciation	(3,141)	(864)	(7,773)	-	(11,778)
Net book value	33,239	2,494	4,757	4,714	45,204
Year ended 31 December 2008:					
Net book value at 1 January	33,239	2,494	4,757	4,714	45,204
Acquisitions	4,902	664	3,580	234	9,380
Disposals and write-offs	(1)	(129)	(19)	(4,948)	(5,097)
Reclassifications					
Depreciation charge	(739)	(591)	(1,867)	-	(3,197)
Net book value at 31 December	37,401	2,438	6,451	-	46,290
As at 31 December 2008:					
Cost/revalued amount	41,282	3,729	15,371	-	60,382
Accumulated depreciation	(3,881)	(1,291)	(8,920)	-	(14,092)
Net book value	37,401	2,438	6,451	-	46,290
Year ended 31 December 2009:					
Net book value at 1 January	37,401	2,438	6,451	-	46,290
Acquisitions	810	1,402	651	121	2,984
Disposals and write-offs	-	(586)	(30)	(88)	(704)
Depreciation charge	(819)	(620)	(1,952)	-	(3,391)
Net book value at 31 December	37,392	2,634	5,120	33	45,179
As at 31 December 2009:					
Cost	42,092	3,730	15,350	33	61,205
Accumulated depreciation	(4,700)	(1,096)	(10,230)	-	(16,026)
Net book value	37,392	2,634	5,120	33	45,179
Useful life (in years)	20-50	5-6	3-20	-	

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

NOTE 19 OTHER ASSETS

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Financial assets:				
Amounts receivable	26,775	1,215	28,918	7,810
Breakdown of financial assets according to maturity				
Short-term (up to 1 year)	25,723	163	12,214	5,295
Long-term (over 1 year)	1,052	1,052	16,704	2,515
Non-financial assets:				
Inventories	34,845	-	24,797	-
Deferred charges	2,652	2,487	3,509	3,401
Prepayments	3,579	412	8,644	809
Foreclosed assets	2,380	241	742	45
Other	842	535	1,242	639
Breakdown of non-financial assets according to maturity				
Short-term (up to 1 year)	1,241	1,546	9,773	1,485
Long-term (over 1 year)	43,057	2,129	29,161	3,409
Total other assets	**71,073**	**4,890**	**67,852**	**12,704**

Inventories relate to flats held for sale and land plots and other property held for development by the Bank's subsidiaries Šiaulių Banko Turto Fondas UAB and Šiaulių Banko Investicijų Valdymas UAB.

Breakdown of inventories according to type	2009		2008	
	Group	Bank	Group	Bank
Appartments held for sale	8,481	-	8,406	-
Property held for development	26,364	-	16,391	-
Total inventories	34,845	-	24,797	-

All inventories are accounted at cost. Inventories are not pledged.

NOTE 20 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2009		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	23,232	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 from:				
Other banks	107,447	98,447	266,532	257,532
International organisations (see note 32)	57,293	57,293	73,730	73,730
Other organisations	52,155	52,155	-	-
Total loans received	216,895	207,895	340,262	331,262
Total	246,272	237,315	454,835	445,945

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

NOTE 20 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS (CONTINUED)

Breakdown of due to other banks and financial institutions according to maturity				
Short-term (up to 1 year)	95,712	86,755	244,656	235,766
Long-term (over 1 year)	150,560	150,560	210,179	210,179
Total	246,272	237,315	454,835	445,945

NOTE 21 DUE TO CUSTOMERS

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
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 deand 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

See effective interest rate on deposits disclosed in Note 31 *Interest rate risk*.

Breakdown of due to customers according to maturity				
Short-term (up to 1 year)	1,492,945	1,492,961	1,230,220	1,228,225
Long-term (over 1 year)	35,879	35,879	29,530	31,530
Total	1,528,824	1,528,840	1,259,750	1,259,755

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

NOTE 22 SPECIAL AND LENDING FUNDS

	2009		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
Breakdown of special and lending funds according to maturity				
Short-term (up to 1 year)	8,616	8,616	3,792	3,792
Long-term (over 1 year)	22,676	22,676	26,907	26,907
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 special purpose credits.

NOTE 23 DEBT SECURITIES IN ISSUE

On 27 May 2009, the Bank repurchased 373-day bonds bonds in the amount of EUR 8 million with par value of EUR 100 each and interest rate of 7.50 per cent. The bonds were issued in 2008.
On 4 May 2009, the Bank issued 184-day bonds in the amount of EUR 2.19 million with interest rate of 9.0 percent. The bonds were repurchased on 27 November 2009.
On 10 July 2009, the Bank issued 370-day bonds in the amount of EUR 1.22 million with interest rate of 7.8 percent. Maturity date is 15 July 2010.
On 4 November 2009, the Bank issued 370-day bonds in the amount of EUR 4.12 million with interest rate of 5.0 percent. Maturity date is 2 December 2010.

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
373 day bonds denominated in EUR with discount rate of 7.5 %, maturity date 27 May 2009	-	-	24,997	24,997
370 day bonds denominated in EUR with interest rate of 7.8 %, maturity date 15 July 2010	464	464	-	-
370 day bonds denominated in EUR with interest rate of 5.0 %, maturity date 2 December 2010	3,691	3,691	-	-
Total	4,155	4,155	24,997	24,997

NOTE 24 OTHER LIABILITIES

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Financial liabilities:				
Finance lease liabilities	2,110	-	3,845	-
Breakdown of other financial liabilities according to maturity				
Short-term (up to 1 year)	2,110	-	3,845	-
Long-term (over 1 year)	-	-	-	-

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

NOTE 24 OTHER LIABILITIES (CONTINUED)

Non-financial liabilities:				
Accrued charges	3,305	2,903	4,113	3,696
Advance amounts received from the buyers of assets	1,972	-	2,016	-
Deferred income	1,340	455	1,646	485
Other liabilities	344	273	2,408	603
Total non-financial liabilities	6,961	3,631	10,183	4,784
Breakdown of other non-financial liabilities according to maturity				
Short-term (up to 1 year)	5,516	2,310	7,880	2,658
Long-term (over 1 year)	1,445	1,321	2,303	2,126
Total other liabilities	9,071	3,631	14,028	4,784

NOTE 25 MINORITY INTEREST

	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 26 SHARE CAPITAL

As at 31 December 2009, the Bank's share capital comprised 180,357,533 ordinary registered shares with par value of LTL 1 each.

As of 31 December 2009, the shareholders holding over 5% of the Bank's shares are listed in the table below:

Shareholders	**Share of the authorized capital held, %**
European Bank for Reconstruction and Development	16.06
Gintaras Kateiva	5.86
SLEZVB UAB	5.25
Total	27.17

Another 18 shareholders had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Sixteen shareholders of the Bank including the European Bank for Reconstruction and Development, UAB Prekybos Namai Aiva, UAB Mintaka, Įmonių Grupė Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė, and Donatas Savickas form a group which has a permit of the Bank of Lithuania to acquire a qualified share of the authorised capital and votes of the Bank equal to and exceeding 50 per cent. As of 31 December 2009, this group possessed 40.08 percent of the authorised capital and votes of the Bank.

As at 31 December 2009, the Bank had 3,525 shareholders (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.

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

NOTE 26 SHARE CAPITAL (CONTINUED)

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 shall not be less than 1/20 of the profit available for appropriation. The statutory reserve may, by a decision of extraordinary general meeting of the shareholders, be used only to cover losses of the activities.

Other reserves

Other reserves has been created by the Bank's shareholders to cover expected future impairment losses on loans.

NOTE 27 CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2009 and as at 31 December 2008 no provisions were established for possible costs related to off-balance sheet commitments.

Contingent tax liabilities
The Tax Authorities have not carried out a full-scope tax audit of the Bank for the period from 2001 to 2009. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out an inspection of the Bank's books and accounting records and impose additional taxes or fines. Management is not aware of any circumstances that might result in a potential material liability in this respect.

Guarantees issued, letters of credit, commitments to grant loans and other commitments

	2009		2008	
	Group	**Bank**	**Group**	**Bank**
Financial guarantees issued	50,307	50,240	68,115	68,115
Letters of credit	2,904	2,904	9,282	9,282
Commitments to grant loans	72,733	70,180	71,156	64,425
Commitments to grant finance lease and acquire assets	-	-	-	-
Other commitments	10,814	10,814	10,722	10,722
Total	136,758	134,138	159,275	152,544

NOTE 28 DIVIDENDS

Dividends are declared during the annual general meeting of shareholders of the Bank when appropriation of profit for the reporting period is performed. In March 2009, the annual general meeting of shareholders decided not to pay any dividends to the holders of ordinary shares (in 2008: LTL 3,221 thousand or LTL 0.02 per share). There were no dividends payable as at 31 December 2009.

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

NOTE 29 LIQUIDITY RISK

The structure of the Group's assets and liabilities by maturity as at 31 December 2009 was as follows:

	On demand	Less than 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
Assets									
Cash and cash equivalents	149,327	19,381	-	-	-	-	-	-	168,708
Due from other banks	-	-	10	1,015	112	1,060	-	17	2,214
Trading securities	-	-	-	-	2,973		-	121	3,094
Loans granted to customers, finance lease receivables	-	83,007	135,197	132,928	279,465	522,328	382,815	-	1,535,740
Investment securities									-
- available-for-sale securities	-	-	13,720	12,362	39,994	2,705	2,501	14,954	86,236
- held-to-maturity securities	-	-	1,045		6,347	46,126	92,523	-	146,041
Intangible assets	-	-	-	-	-	-	-	605	605
Tangible fixed assets	-	-	-	-	-	-	-	52,203	52 203
Other assets	165	1,393	2,101	402	25,371	9,178	4,723	35,624	78,957
Total assets	149,492	103,781	152,073	146,707	354,262	581,397	482,562	103,524	2,073,798
Due to other banks and financial institutions	6,145	33,050	22,334	8,680	25,503	43,000	107,560	-	246,272
Due to customers	249,765	266,654	389,060	323,874	272,208	49,354	9,201	-	1,560,116
Debt securities in issue	-	-	-	-	4,155	-	-	-	4,155
Other liabilities	2,070	4,347	429	317	463	254	73	1,118	9,071
Shareholders' equity	-	-	-	-	-	-	-	254,184	254,184
Total liabilities and shareholders' equity	257,980	304,051	411,823	332,871	302,329	92,608	116,834	255,302	2,073,798
Net liquidity gap	(108,488)	(200,270)	(259,750)	(186,164)	51,933	488,789	365,728	(151,778)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2008 was as follows:

	On demand	Less than 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	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)	-

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

NOTE 29 LIQUIDITY RISK (CONTINUED)

The structure of the Bank's assets and liabilities by maturity as at 31 December 2009 was as follows:

	On demand	Less than 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
Assets									
Cash and cash equivalents	149,270	19,381	-	-	-	-	-	-	168,651
Due from other banks	-	-	10	1,015	112	1,060		17	2,214
Trading securities	-	-	-	-	-	-	-	121	121
Loans granted to customers, finance lease receivables	-	157,657	141,148	144,322	325,450	485,574	351,484	-	1,605,635
Investment securities									
- available-for-sale securities	-	-	13,720	12,362	39,994	2,705	2,501	801	72,083
- held-to-maturity securities	-	-	1,045		3,374	46,126	92,523		143,068
Investments in subsidiaries	-	-	-	-	-	-	-	9,384	9,384
Intangible assets	-	-	-	-	-	-	-	600	600
Tangible fixed assets	-	-	-	-	-	-	-	45,179	45,179
Other assets	2	797	243	270	2,618	857	674	6,874	12,335
Total assets	149,272	177,835	156,166	157,969	371,548	536,322	447,182	62,976	2,059,270
Due to other banks and financial institutions	6,188	33,050	13,334	8,680	25,503	43,000	107,560		237,315
Due to customers	249,781	266,654	389,060	323,874	272,208	49,354	9,201	-	1,560,132
Debt securities in issue	-	-	-	-	4,155	-	-	-	4,155
Other liabilities	31	1,902	161	92	124	132	34	1,155	3,631
Shareholders' equity								254,037	254,037
Total liabilities and shareholders' equity	256,000	301,606	402,555	332,646	301,990	92,486	116,795	255,192	2,059,270
Net liquidity gap	(106,728)	(123,771)	(246,389)	(174,677)	69,558	443,836	330,387	(192,216)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2008 was as follows:

	On demand	Less than 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	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 open position	(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)

NOTE 30 FOREIGN EXCHANGE TRANSACTIONS AND OPEN CURRENCY POSITIONS

The Group's open positions of prevailing currencies as at 31 December 2009 were as follows:

	USD	Other currencies	Total currencies*	EUR	LTL	Total
Assets						
Cash and cash equivalents	9,967	1,086	11,053	37,294	120,361	168,708
Due from other banks	-	-	-	2,214		2,214
Trading securities	-	-	-	2,973	121	3,094
Loans granted to customers, finance lease receivables	25,266	-	25,266	663,683	846,791	1,535,740
Investment securities						
- available-for-sale securities	7,188	-	7,188	4,534	74,514	86,236
- held-to-maturity securities		-	-	73,586	72,455	146,041
Intangible assets	-	-	-	-	605	605
Tangible fixed assets	-	-	-	-	52,203	52,203
Other assets	9	1	10	23,799	55,148	78,957
Total assets	42,430	1,087	43,517	808,083	1,222,198	2,073,798
Liabilities and shareholders' equity						
Due to other banks and financial institutions	891	-	891	165,410	79,971	246,272
Due to customers	42,377	403	42,780	499,390	1,017,946	1,560,116
Bonds issued	-	-	-	4,155	-	4,155
Other liabilities	16	6	22	31	9,018	9,071
Shareholders' equity	98	-	98	(1,899)	255,985	254,184
Total liabilities and shareholders' equity	43,382	409	43,791	667,087	1,362,920	2,073,798
Net balance sheet position	(952)	678	(274)	140,996	(140,722)	-
Open currency exchange transactions	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 at 31 December 2008 were as follows:

	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 shareholders' 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	-
Open currency exchange transactions	-	-	-	10,358	(10,358)	-
Net open position	**2,384**	**1,087**	**3,471**	**(38,542)**	**35,071**	**-**

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

NOTE 30 FOREIGN EXCHANGE TRANSACTIONS AND OPEN CURRENCY POSITIONS (CONTINUED)

The Bank's open positions of prevailing currencies as at 31 December 2009 were as follows:

	USD	Other currencies	Total currencies*	EUR	LTL	Total
Assets						
Cash and cash equivalents	9,967	1,086	11,053	37,290	120,308	168,651
Due from other banks	-	-	-	2,214	-	2,214
Trading securities	-	-	-	-	121	121
Loans granted to customers, finance lease receivables	25,266		25,266	689,099	891,270	1,605,635
Investment securities						-
- available-for-sale securities	7,188		7,188	4,534	60,361	72,083
- held-to-maturity securities	-	-	-	70,613	72,455	143,068
Investments in subsidiaries	-	-	-	-	9,384	9,384
Intangible assets	-	-	-	-	600	600
Tangible fixed assets	-	-	-	-	45,179	45,179
Other assets	9	1	10	2,584	9,741	12,335
Total assets	42,430	1,087	43,517	806,334	1,209,419	2,059,270
Liabilities and shareholders' equity						
Due to other banks and financial institutions	891	-	891	165,410	71,014	237,315
Due to customers	42,377	403	42,780	499,390	1,017,962	1,560,132
Bonds issued	-	-	-	4,155		4,155
Other liabilities	16	6	22	31	3,578	3,631
Shareholders' equity	98		98	(1,899)	255,838	254,037
Total liabilities and shareholders' equity	43,382	409	43,791	667,087	1,348,392	2,059,270
Net balance sheet position	(952)	678	(274)	139,247	(138,973)	-
Open currency exchange transactions	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 at 31 December 2008 were as follows:

	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 shareholders' 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	-
Open currency exchange transactions	-	-	-	10,358	(10,358)	-
Net open position	**(654)**	**1,087**	**433**	**(24,911)**	**24,478**	**-**

*According to the regulations approved by the Bank of Lithuania, the overall open foreign currency position should not exceed 25% of the bank's capital and the open position of each individual foreign currency should not exceed 15% of the bank's capital. This requirement does not apply to EUR and LTL positions.

The Bank has also granted loans in foreign currency. Although they are usually financed in the same currency, depending on the main currency of the debtor's cash flows, the strengthening of foreign currency against the litas may adversely affect the debtors' ability to repay the loans, which increases the probability of future losses from loans.

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

NOTE 31 INTEREST RATE RISK

The table below summarizes the Group's and the Bank's interest rate risks as at 31 December 2009. The Bank's assets and liabilities shown at their carrying amounts categorized by the earlier of contractual repricing or maturity dates. Details of the Group's interest rate risk as at 31 December 2009 are given below:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non interest bearing	Total
Assets							
Cash and cash equivalents	19,372	-	-	-	-	149,336	168,708
Due from other banks	-	10	1,015	112	1,060	17	2,214
Trading securities	-	-	-	2,973	-	121	3,094
Loans granted to customers, finance lease receivables	267,233	458,179	600,854	82,994	83,652	42,828	1,535,740
Investment securities							
- available-for-sale securities	-	13,720	12,362	39,994	5,206	14,954	86,236
- held-to-maturity securities	-	1,045	-	6,347	138,649	-	146,041
Intangible assets	-	-	-	-	-	605	605
Tangible fixed assets	-	-	-	-	-	52,203	52,203
Other assets	-	-	-	-	-	78,957	78,957
Total assets	286,605	472,954	614,231	132,420	228,567	339,021	2,073,798
Due to other banks and financial institutions	113,734	102,302	8,508	13,333	500	7,895	246,272
Due to customers	270,906	402,317	321,254	266,466	37,043	262,130	1,560,116
Bonds issued	-	-	-	4,155	-	-	4,155
Other liabilities	-	-	-	-	-	9,071	9,071
Shareholders' equity	-	-	-	-	-	254,184	254,184
Total liabilities and shareholders' equity	384,640	504,619	329,762	283,954	37,543	533,280	2,073,798
Interest rate sensitivity gap	(98,035)	(31,665)	284,469	(151,534)	191,024	(194,259)	-

Details of the Group's interest rate risk as at 31 December 2008 are given below:

	Up to 1 month	1 to 3 months	3 to 6 month s	6 to 12 months	More than 1 year	Non interest bearing	Total
Total assets	317,917	432,844	654,394	145,790	255,852	272,777	2,079,574
Total liabilities and shareholders' equity	434,488	536,749	259,082	242,791	35,210	571,254	2,079,574
Interest rate sensitivity gap	(116,571)	(103,905)	395,312	(97,001)	220,642	(298,477)	-

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

NOTE 31 INTEREST RATE RISK (CONTINUED)

Details of the Bank's interest rate risk as at 31 December 2009 are given below:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non interest bearing	Total
Assets							
Cash and cash equivalents	19,372	-	-	-	-	149,279	168,651
Due from other banks	-	10	1,015	112	1,060	17	2,214
Trading securities	-	-	-	-	-	121	121
Loans granted to customers, finance lease receivables	335,600	435,615	593,900	133,374	71,013	36,133	1,605,635
Investment securities							
- available-for-sale securities	-	13,720	12,362	39,994	5,206	801	72,083
- held-to-maturity securities	-	1,045		3,374	138,649	-	143,068
Investments in subsidiaries	-	-	-	-	-	9,384	9,384
Intangible assets	-	-	-	-	-	600	600
Tangible fixed assets	-	-	-	-	-	45,179	45,179
Other assets	-	-	-	-	-	12,335	12,335
Total assets	354,972	450,390	607,277	176,854	215,928	253,849	2,059,270
Due to other banks and financial institutions	113,734	93,302	8,508	13,333	500	7,938	237,315
Due to customers	270,906	402,317	321,254	266,466	37,043	262,146	1,560,132
Bonds issued	-	-	-	4,155	-	-	4,155
Other liabilities	-	-	-	-	-	3,631	3,631
Shareholders' equity	-	-	-	-	-	254,037	254,037
Total liabilities and shareholders' equity	384,640	495,619	329,762	283,954	37,543	527,752	2,059,270
Interest rate sensitivity gap	(29,668)	(45,229)	277,515	(107,100)	178,385	(273,903)	-

Details of the Bank's interest rate risk as at 31 December 2008 are given below:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Non interest bearing	Total
Total assets	460,524	440,344	613,839	105,780	241,320	187,878	2,049,685
Total liabilities and shareholders' equity	434,617	527,749	259,082	242,791	35,210	550,236	2,049,685
Interest rate sensitivity gap	25,907	(87,405)	354,757	(137,011)	206,110	(362,358)	-

The table below summarizes the effective interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss:

%	31 December 2009			31 December 2008		
	LTL	EUR	USD	LTL	EUR	USD
Assets						
Due from other banks and financial institutions	9.75	1.36	0.52	7.52	4.66	0.29
Debt securities	5.98	4.42	5.79	4.78	4.35	-
Finance lease receivables	7.21	4.80	-	14.44	7.29	-
Loans granted (before provisions)	8.58	4.84	4.58	8.69	6.22	5.10
Liabilities						
Due to other banks and financial institutions	5.47	1.93	0.35	7.47	4.97	0.68
Deposits	6.61	4.96	2.95	6.07	5.78	4.26

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

NOTE 32 RELATED-PARTY TRANSACTIONS

Related parties with the Bank are classified as follows:

a) management of the Bank, includes the members of the Bank's Supervisory Council and Board;
b) subsidiaries of the Bank, includes Šiaulių banko lizingas UAB, Šiaulių banko investicijų valdymas UAB and Šiaulių banko turto fondas UAB;
c) other related parties, include shareholders acting jointly in accordance with the Agreement of Shareholders (see Note 26), the close family members of these shareholders and management of the Bank, legal entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entities resides with these shareholders and management of the Bank.

During 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.

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

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	31 December 2009	31 December 2008	2009	2008	31 December 2009	31 December 2008	2009	2008
Members of the Council and the Board	589	4,503	6.00	7.16	5,987	2,893	5.13	8.65
Other related parties	9,714	5,277	5.17	4.67	264,498	232,969	6.25	7.26

Transactions with EBRD:

The Bank had loans received from the EBRD amounting to LTL 57.3 million (EUR 16.6 million) as at 31 December 2009 (2008: LTL 73.7 million). Sindicated loan amounted to LTL 41.4 million (EUR 12 million, share of EBRD amounted to 33 per cent). Loan related interest and other expenses for year 2009 amounted to LTL 2.7 million (2008: LTL 5.2 million).

Balances of transactions with the subsidiaries are given below:

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	31 December 2009	31 December 2008	2009	2008	31 December 2009	31 December 2008	2009	2008
Non-financial institutions	16	17	0.00	0.00	78,955	64,569	5.30	7.59
Financial institutions	43	110	0.00	0.00	111,430	140,077	5.93	7.14

Transactions with subsidiaries: Šiaulių Banko Turto Fondas UAB (the Bank's holding is 100.00%), Šiaulių banko investicijų valdymas UAB (the Bank's holding is 100.00%), Šiaulių banko lizingas UAB (the Bank's holding is 100%):

	2009	2008
Assets		
Loans	190,385	204,646
Other assets	28	44
Liabilities and shareholders' equity		
Demand deposits	59	129
Bank's investment, carrying value (see note 16)	9,384	2,135

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

NOTE 32 RELATED-PARTY TRANSACTIONS (CONTINUED)

Income and expenses arising from transactions with subsidiaries:

Income	2009	2008
Interest	14,519	11,403
Commission income	356	444
Income from foreign exchange operations	1	15
Other income	217	225
Expenses		
Operating expenses	28	36

Remuneration of the management of the Bank

During 2009, the total amount of salaries and bonuses, including social security contributions and guarantee fund payments, to the Bank's Board members was LTL 1,876 thousand (2008: LTL 2,363 thousand). In 2009 the Bank has not made payments to the Bank's Supervisory Council members (2008: LTL 624 thousand).

NOTE 33 CONCENTRATION EXPOSURE

As at 31 December 2009, the largest single exposure comprising loans to several related borrowers treated as a single borrower not secured by the Lithuanian Government guarantees, amounted to LTL 61.8 million (the whole amount represents commitments to provide credit facilities), i.e. 24.56 % of the Bank's calculated capital (2008: LTL 56.2 million and 21.30 % of the Bank's calculated capital).

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

NOTE 34 FINANCIAL GROUP INFORMATION

According to local legislation the Bank is required to prepare consolidated statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the Financial group. Financial group includes the Bank and its leasing subsidiary.

STATEMENT OF FINANCIAL POSITION

	31 December 2009		31 December 2008	
	Fin. group	**Bank**	**Fin. group**	**Bank**
ASSETS				
Cash and cash equivalents	168,696	168,651	142,939	142,927
Due from other banks	2,214	121	1,220	1,220
Trading securities	121	2,214	714	714
Loans to customers	1,507,461	1,605,635	1,549,082	1,674,541
Finance lease receivables	101,412	-	128,836	-
Investment securities:				
- available-for-sale	72,083	72,083	21,336	21,336
- held to maturity	143,068	143,068	147,038	147,038
Investments in subsidiarines	7,384	9,384	1,135	2,135
Intangible assets	603	600	786	780
Tangible fixed assets	52,048	45,179	54,036	46,290
Prepayment of income tax	2,221	2,221	-	-
Deferred tax asset	5,445	5,224	-	-
Other assets	10,903	4,890	20,682	12,704
Total assets	**2,073,659**	**2,059,270**	**2,067,804**	**2,049,685**
LIABILITIES				
Due to other banks and financial institutions	246,272	237,315	454,835	445,945
Due to customers	1,528,840	1,528,840	1,259,755	1,259,755
Special and lending funds	31,292	31,292	30,699	30,699
Debt securities in issue	4,155	4,155	24,997	24,997
Current incom tax liabilities	-	-	543	526
Deferred income tax liabilities	-	-	98	98
Other liabilities	8,888	3,631	12,304	4,784
Total liabilities	**1,819,447**	**1,805,233**	**1,783,231**	**1,766,804**
EQUITY				
Capital and reserves attributable to equity holders of the Bank				
Share capital	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
Other reserves	10,000	10,000	-	-
Statutory rezerve	6,081	5,981	3,505	3,405
Financial assets revaluation rezerve	590	590	(680)	(680)
Retained earnings	8,891	8,816	53,098	51,506
Total equity	**254,212**	**254,037**	**284,573**	**282,881**
Total liabilities and equity	**2,073,659**	**2,059,270**	**2,067,804**	**2,049,685**

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

NOTE 34 FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME

		2009		2008	
		Fin. group	**Bank**	**Fin. group**	**Bank**
Interest and similar income		145,907	140,474	141,347	134,457
Interest expense and similar charges		(113,601)	(112,878)	(92,268)	(91,723)
Net interest income		**32,306**	**27,596**	**49,079**	**42,734**
Fee and commission income		12,588	12,935	14,789	15,221
Fee and commission expense		(4,472)	(4,399)	(5,361)	(5,247)
Net fee and commission income		**8,116**	**8,536**	**9,428**	**9,974**
Provision for impairment losses		(51,575)	(49,794)	(8,795)	(7,748)
Net gain from operations with securities		321	321	(1,934)	(1,934)
Net foreign exchange gain		2,401	2,402	2,583	2,571
Gain from disposal of assets		(299)	14	(25)	8
Other income		1,113	508	1,093	559
Administrative and other operating expenses		(34,749)	(31,713)	(39,282)	(35,831)
Operating profit (loss)		**(42,366)**	**(42,130)**	**12,147**	**10,333**
Dividends from investments in subsidiaries		4,877	6,377	7,097	8,797
Profit (loss) before income tax		**(37,489)**	**(35,753)**	**19,244**	**19,130**
Income tax expense		5,858	5,639	(1,959)	(1,605)
Profit (loss) for the year		**(31,631)**	**(30,114)**	**17,285**	**17,525**
Other comprehensive income					
Gain (loss) from revaluation of financial assets		1,467	1,467	(1,118)	(1,118)
Deferred income tax on gain (loss) from revaluation of financial assets		(197)	(197)	78	78
Other comprehensive income, net of tax		1,270	1,270	(1,040)	(1,040)
Total comprehensive income		**(30,361)**	**(28,844)**	**16,245**	**16,485**
Profit attributable to:					
Equity holders of the Bank		(31,631)	(30,114)	17,285	17,525
Minority interest	25	-	-	-	-
		(31,631)	(30,114)	17,285	17,525
Total comprehensive income attributable to:					
Equity holders of the Bank		(30,361)	(28,844)	16,245	16,485
Minority interest		-	-	-	-
		(30,361)	(28,844)	16,245	16,485
Basic and diluted earnings (loss) per share (in LTL per share)		(0.18)	(0.17)	0.10	0.10

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

NOTE 34 FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF CASH FLOWS

		Year ended			
		31 December 2009		31 December 2008	
	Notes	**Fin. group**	**Bank**	**Fin.group**	**Bank**
Operating activities					
Interest received		144,284	138,683	139,468	132,578
Interest paid		(110,093)	(109,370)	(90,779)	(90,234)
Fees and commissions received		12,588	12,935	14,789	15,221
Fees and commissions paid		(4,472)	(4,399)	(5,361)	(5,247)
Cash inflows from trade in trading securities		(268)	(268)	(1,289)	(1,289)
Net income from foreign exchange operations		2,615	2,616	2,583	2,692
Recoveries on loans previously written off		313	72	195	82
Salaries and related payments to and on behalf of employees		(19,132)	(17,809)	(23,680)	(21,936)
Other cash receipts, sale of assets		1,113	508	1,068	567
Other cash payments		(14,629)	(13,486)	(17,330)	(15,401)
Income tax paid		(2,646)	(2,627)	(2,620)	(2,057)
Net cash flow from operating activities before change in operating assets and liabilities		**9,673**	**6,855**	**17,044**	**14,976**
Change in operating assets and liabilities:					
(Increase)/decrease in trading securities		977	977	8,052	8,052
(Increase)/decrease in loans to credit and financial institutions		14,706	43,343	2,665	(15,062)
(Increase) in loans to customers		7,763	(16,592)	(133,852)	(121,688)
(Increase) in other current assets		6,869	5,673	(7,369)	(5,564)
Increase in liabilities					
Increase/(decrease) in liabilities to credit and financial institutions		(206,352)	(206,419)	(51,257)	(51,333)
Increase in deposits		263,366	263,366	81,674	75,877
Increase/(decrease) in special and lending funds		593	593	(5,851)	(5,393)
Increase/(decrease) in other liabilities		(2,383)	(201)	(1,555)	5,515
Change		**85,539**	**90,740**	**(107,493)**	**(109,596)**
Net cash flow from/ (used in) operating activities		**95,212**	**97,595**	**(90,449)**	**(94,620)**
Investing activities					
(Purchase) of tangible and intangible fixed assets		(3,392)	(3,209)	(12,433)	(9,500)
Disposal of tangible and intangible fixed assets		3,031	2,932	6,434	5,970
(Purchase) of held-to-maturity securities		(2,846)	(2,846)	(11,518)	(11,518)
Proceeds from redemption of held-to-maturity securities		6,816	6,816	28,655	28,655
Dividends received		5,082	6,582	7,212	8,912
(Purchase) of available-for-sale securities		(125,560)	(125,560)	(29,491)	(29,491)
Sale of available-for-sale securities		76,279	76,279	20,764	20,764
Repurchase of shares of subsidiary companies from minority		(8,022)	(12,022)	-	-
Net cash flow used in investing activities		**(48,612)**	**(51,028)**	**9,623**	**13,792**
Financing activities					
Dividends paid		(1)	(1)	(3,220)	(3,220)
Debt securities in issue		40,387	40,387	55,710	55,710
Redemption of debt securities in issue		(61,229)	(61,229)	(59,263)	(59,263)
Net cash flow from financing activities		**(20,843)**	**(20,843)**	**(6,773)**	**(6,773)**
Net increase in cash and cash equivalents		**25,757**	**25,724**	**(87,599)**	**(87,601)**
Cash and cash equivalents at 1 January		**142,939**	**142,927**	**230,538**	**230,528**
Cash and cash equivalents at 31 December	10	**168,696**	**168,651**	**142,939**	**142,927**

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

NOTE 34 FINANCIAL GROUP INFORMATION (CONTINUED)

STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Reserve capital	Financial assets revaluation	Statutory reserve	Other reserves	Retained earnings	Total
31 December 2007		**161,033**	**65,006**	**2,611**	**360**	**1,545**	**-**	**40,994**	**271,549**
Dividends	28	-	-	-	-	-	-	(3,221)	(3,221)
Formation of statutory reserve		-	-	-	-	1,960	-	(1,960)	-
Bonus issue of share capital	26	19,325	(19,325)	-	-	-	-	-	-
Total comprehensive income		-	-	-	(1 040)	-	-	17,285	16,245
31 December 2008		**180,358**	**45,681**	**2,611**	**(680)**	**3,505**	**-**	**53,098**	**284,573**
Formation of statutory reserve		-	-	-	-	2,576	-	(2,576)	-
Formation of other reserves		-	-	-	-	-	10,000	(10,000)	-
Total comprehensive income		-	-	-	1,270	-	-	(31,631)	(30,361)
31 December 2009		**180,358**	**45,681**	**2,611**	**590**	**6,081**	**10,000**	**8,891**	**254,212**

CONSOLIDATED ANNUAL REPORT OF ŠIAULIŲ BANKAS AB FOR 2009

CONTENTS

1. Reporting period, for which the consolidated annual report has been prepared

This report of AB Šiaulių bankas has been prepared for the period from 1 January 2009 to 31 December 2009.

2. Contact information of Šiaulių bankas

Name – Šiaulių bankas AB
Legal form – public limited liability company (Lithuanian: akcinė bendrovė, abbreviated as “AB”)
Registration date – 14 February 1992
Registrar – State Enterprise Centre of Registers (Valstybės Įmonė Registrų Centras)
Company code – 112025254
Office address – Tilžės St. 149, LT-76348 Šiauliai
Telephones: (8 41) 595 607
Fax (8 41) 430 774
E-mail info@sb.lt
Website www.sb.lt

3. The Bank’s strategy

During the whole period of 18 years of operation of the Šiaulių bankas, its strategy remained consistent, focused on the development and modernisation of banking services and based on partnership relations and business customers.

Vision
- Partner of small- and medium-sized business.
- Long-term relations with customers based on reliability.

Mission
- To encourage the development of small- and medium-sized business in the country.
- To finance municipal and regional projects.
- To become a reliable bank providing qualified services to customers and to strengthen market positions.

Values
- Attention to the customer.
- Prompt decision-making.
- Flexibility of services with their adjustment to specific customer needs.
- Accessibility of employees of all levels to customers; direct communication.
- Attention to market changes and focus on innovation.

Objectives
- Provision of effective and comprehensive service to the Bank’s customers.
- To be a universal bank focused on complex provision of services to small- and medium-sized business and individuals.
- To develop the Bank’s network and to expand the market share held by the Bank.

Šiaulių bankas seeks to be a partner not only in business, but also in public and cultural life, and provides support to culture and sport projects, local communities, and participates in charity events.

4. Character of the activities of Šiaulių bankas

Šiaulių bankas is engaged in the activities of commercial banks. The main office of the Bank is located in Šiauliai. Šiaulių bankas was granted a licence of the Bank of Lithuania to accept deposits and other repayable funds, to administer funds in accounts opened for customers, to extend loans and take loans, to undertake the risk and responsibility related thereto, to carry out operations in foreign currencies, and to conduct other banking transactions provided for by legal acts of the Bank of Lithuania. The priority area of Šiaulių bankas is financing of small- and medium-sized business.

In its activities, the Bank follows the laws and other legal acts of the Republic of Lithuania, the Statute of the Bank and agreements concluded. While paying much attention to the quality of services, striving for maximal satisfaction of customers, Šiaulių bankas provides the following services:

- accepts funds to customers' banking accounts and administers them;
- extends loans and intermediates in provision thereof (provides guarantees, issues money securities etc);
- issues credit cards, debit cards, installs and services ATMs;
- performs payment transactions with payment documents (cheques, letters of credit, bonds etc), intermediates in monetary transfers (inter-bank and travellers cheques);
- renders investment services;
- develops internet banking services;
- accepts valuables from customers for storage and rents safe cells in the Bank's depository for the storage of valuables and documents;
- intermediates in currency transactions;
- issues and administers credit monetary instruments;
- provides consultations on issues of banking activities, administration of financial and customers' investments etc.

As of 31 December 2009, AB Šiaulių bankas had 52 customer service divisions in 32 Lithuanian cities and towns. The network of Šiaulių bankas covered the main Lithuanian cities and financially active regional centres.

5. Contact information of the companies belonging to Šiaulių bankas group

- Šiaulių banko lizingas UAB

Legal form – private limited liability company (Lithuanian: uždaroji akcinė bendrovė; abbreviated as "UAB")
Registration date – 16 August 1999
Registrar – State Enterprise Centre of Registers
Company code – 145569548
Office address – Vilniaus St. 167, LT-76352 Šiauliai
Telephones: (8 41) 420 855, 502 990
Fax: (8 41) 423 437
E-mail: lizingas@sb.lt
Website: www.sblizingas.lt

- Šiaulių banko turto fondas UAB

Legal form – private limited liability company (Lithuanian: uždaroji akcinė bendrovė; abbreviated as "UAB")
Registration date – 13 August 2002
Registrar – State Enterprise Centre of Registers
Company code – 145855439
Office address – Vilniaus St. 167, LT-76352 Šiauliai
Telephone: (8 41) 525 322
Fax: (8 41) 525 321
E-mail: turtofondas@sb.lt
Website: www.sbturtofondas.lt

- Šiaulių banko investicijų valdymas UAB

Legal form – private limited liability company (Lithuanian: uždaroji akcinė bendrovė; abbreviated as "UAB")
Registration date – 31 August 2000
Registrar – State Enterprise Centre of Registers
Company code – 145649065
Office address – Vilniaus St. 167, LT-76352 Šiauliai
Telephone: (8 41) 429 227
Fax: (8 41) 525 285
E-mail: valdymas@sb.lt
Website: www.sbiv.lt

6. Šiaulių bankas group of companies

As of 31 December 2009, Šiaulių bankas group included Šiaulių bankas AB and the following three subsidiaries:

Šiaulių banko lizingas UAB:
- assets – LTL 127.89 million;
- equity share controlled by the Bank – 100 per cent;
- character of activities: financial and operating leasing; lease.

Šiaulių banko turto fondas UAB:
- assets – LTL 41.76 million;
- equity share controlled by the Bank – 100 per cent;
- character of activities: long-term investments in land and other real estate; rent of buildings and premises belonging on property, provision of consulting services.

Šiaulių banko investicijų valdymas UAB:
- assets – LTL 44.78 million;
- equity share controlled by the Bank – 100 per cent;
- character of activities: company restructuring and financing of reorganisation projects; investments in debt and equity securities and small- and medium-sized business companies; preparation of complex financing proposals and their submission to customers.

7. Involvement in associated structures

Organisations, associations, and associated structures in the activities of which Šiaulių bankas participates:

- Association of Lithuanian Banks;
- Šiauliai Chamber of Commerce, Industry and Crafts;
- Šiauliai Association of Industrialists;
- Association of Lithuanian Financial Brokers;
- Vilnius Stock Exchange – AB NASDAQ OMX Vilnius;
- Lithuanian business confederation ICC Lithuania;
- Lithuanian Business Employers' Confederation;
- S.W.I.F.T. Association;
- VISA Europe;
- UN International Initiative – Global Compact – voluntary company social responsibility initiative.

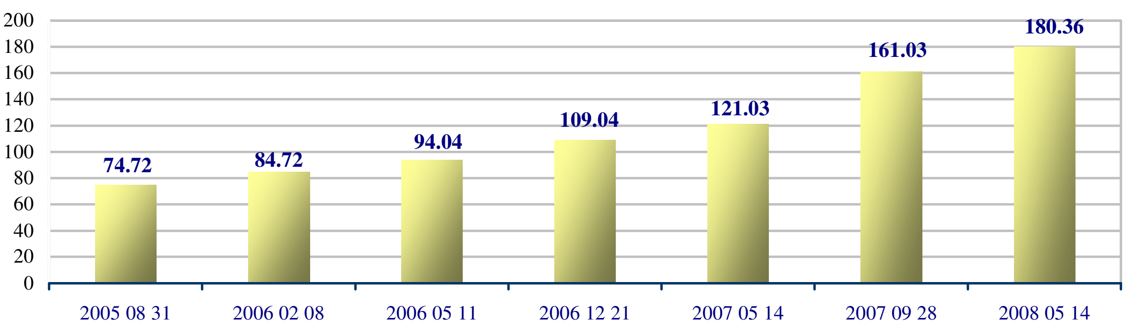
8. Authorised capital; shareholders of the Bank

As of 14 May 2008, the authorised capital of the Bank was LTL 180,357,533. 77.06 per cent of the authorised capital of Šiaulių bankas belongs to companies registered in Lithuania and individuals. The major shareholder of the Bank is the European Bank for Reconstruction and Development (EBRD), which controls 16.06 per cent of the shares.

The structure of the Bank's authorised capital is as follows:

Type of shares	*Number of shares, units*	*Nominal value, LTL*	*Total nominal value, LTL*
Ordinary registered shares, ISIN LT0000102253	180,357,533	1	180,357,533

Changes in the authorised capital of the Bank since 2005 (LTL million):



In total, during the last five years the authorised capital of the Bank was increased by LTL 124.5 million: LTL 77 million from additional contributions of the shareholders and LTL 47.4 million from the Bank's funds.

As of 31 December 2009, Šiaulių bankas had 3,525 shareholders. On 31 December 2008, the number of shareholders was 3,549. All issued shares grant shareholders equal rights provided for in the Law on Companies of the Republic of Lithuania and the Statute of the Bank.

The shareholders of the Bank have the following property rights:
- to receive a share of the Bank's profit (dividend);
- to receive a share of the assets of the Bank being liquidated;
- to receive shares free of charge if the authorised capital is raised using the funds of the Bank except for the cases stipulated by the law;
- when the shareholder is a natural person, to leave under the will all or a part of the shares to one or several persons;
- following the procedure and according to the conditions stipulated by the laws, to sell or otherwise transfer all or a part of the shares to the ownership of other persons;
- to have the pre-emption right to purchase the shares issued or converted by the Bank except for the case when the General Meeting of Shareholders, following the procedure stipulated by the laws, withdraws this right for all shareholders;
- to lend to the Bank in the manners stipulated by the laws. However, when borrowing from its shareholders, the Bank shall not have the right to pledge its assets to the shareholders. When the Bank borrows from a shareholder, the interest rate may not exceed the average interest rate of commercial banks available in the place of residence or business of the lender effective at the moment of conclusion of the loan agreement. In such a case, the Bank and the shareholders shall not be allowed to agree on a higher interest rate;
- other property rights stipulated by the laws.

The right to dividends, free shares and pre-emption right to acquire shares issued by the Bank shall belong to those persons who were the Bank's shareholders at the end of the tenth working day after the General Meeting of Shareholders which made the corresponding decision (i.e. at the end of the day of accounting of the rights).

The Bank's shareholders have the following non-property rights:
- to take part in General Meetings of Shareholders;
- to vote at Meetings in accordance with the rights granted by the shares;
- to provide, in advance, questions to the Company in relation to the issues of the agenda of the General Meeting of Shareholders;
- to receive information on the Bank specified by the Law on Companies;
- to file a lawsuit requesting to compensate the Bank for the damage that resulted from the failure to execute or improper execution of the obligations of the chief executive and members of the Board of the Bank as well as in other cases stipulated by the laws;
- to authorise a natural person or a legal entity to act as a representative in maintaining relations with the Bank and other persons;
- other non-property rights stipulated by the laws.

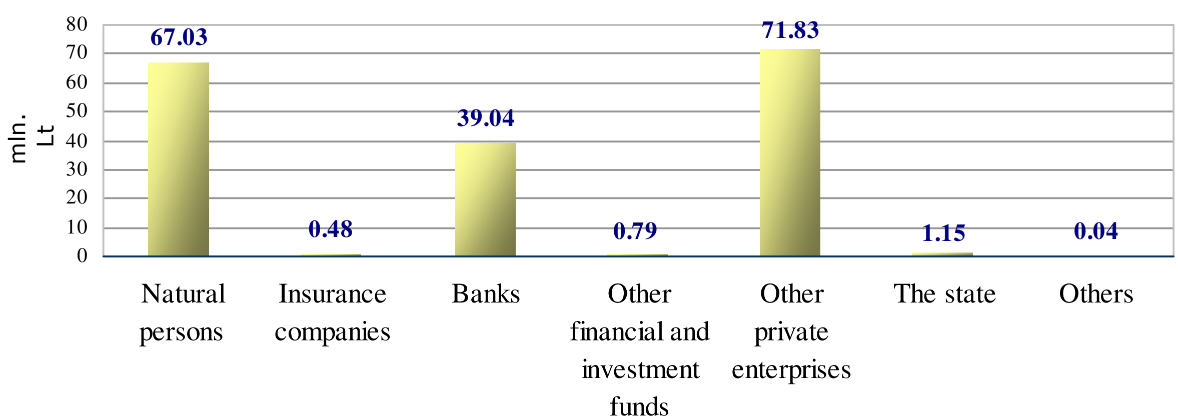
The person shall obtain all the rights granted to this person by the share of the authorised capital and/or voting rights of the Bank: in case of the raise of the authorised capital of the Bank – from the date of registration of the changes related to the raise of the authorised capital and/or voting rights of the Bank; in other cases – from the emergence of the property right to the share of the authorised capital and/or voting rights of the Bank.

The shareholders of the Bank who owned more than 5 per cent of the authorised capital of the Bank as of 31 December 2009 are as follows:

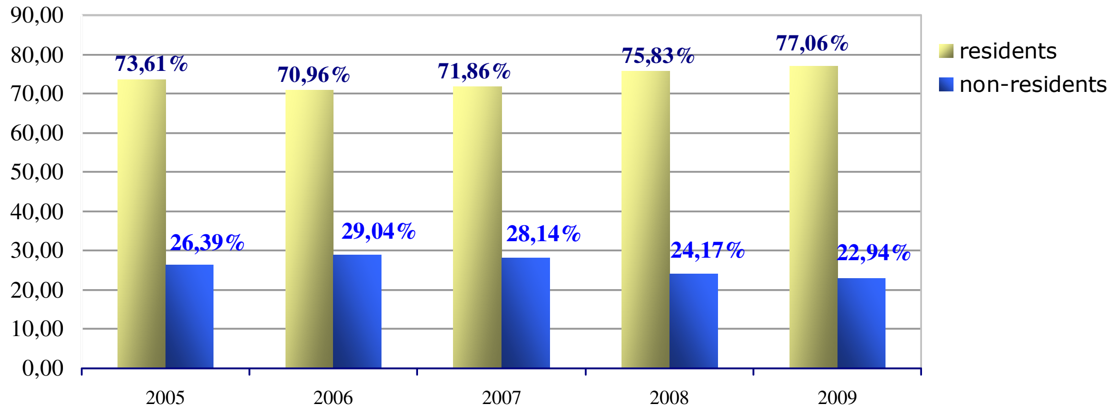
No	Shareholder	Number of shares held on the right of ownership, units	Share of the authorised capital held on the right of ownership per cent	Share of votes held on the right of ownership, per cent	Share of votes held together with the related persons, per cent
1.	The European Bank for Reconstruction and Development (EBRD); address: One Exchange Square, London, Great Britain	28,965,834	16.06	16.06	40.08
2.	Gintaras Kateiva	10,561,509	5.86	5.86	40.08
3.	UAB SLEZVB; address: Vilniaus St. 167, Šiauliai	9,473,847	5.25	4.38	4.38

Sixteen shareholders of Šiaulių bankas including the European Bank for Reconstruction and Development, UAB Prekybos Namai Aiva, UAB Mintaka, Įmonių Grupė Alita AB, Algirdas Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė, and Donatas Savickas form a group which has a permit of the Bank of Lithuania to acquire a qualified share of the authorised capital and votes of the Bank equal to and exceeding 50 per cent. As of 31 December 2009, this group possessed 40.08 per cent of the authorised capital and votes of the Bank.

Distribution of the authorised capital by types of shareholders:



The Bank's shareholders by the place of residence:



There are no restrictions to the transfer of securities. The shareholders exercise property and non-property rights and have obligations specified in the Law on Companies of the Republic of Lithuania and the Statute of the Bank.

The shareholders who have special control rights and descriptions of those rights. The shareholders control the Bank through the elected Supervisory Board. Its functions are stipulated by the Law on Companies of the Republic of Lithuania.

Restrictions to the voting rights. All shares of the Bank granting the voting right have the same nominal value, and each share grants one voting right at the General Meeting of Shareholders.

The shareholders shall not have the right to vote when adopting a decision on the pre-emption right to acquire the shares of the Bank being issued or withdrawal of convertible bonds if it is stipulated in the agenda of the General Meeting of Shareholders that the right to acquire these securities is granted to him, his close relative, spouse or common-law spouse when partnership is registered in the procedure stipulated by the laws, and to a close relative of the spouse when the shareholder is a natural person as well as to the company patronising the shareholder when the shareholder is a legal entity.

The person or persons acting jointly, having decided to acquire a qualified share of the authorised capital and/or voting rights of the Bank or to raise it to such extent that the available share of the authorised capital and/or voting rights of the Bank would be equal to or exceed 20 per cent, 30 per cent or 50 per cent or as much as the Bank would become controllable, shall be obliged to report this in writing to the supervisory authority of the Bank of Lithuania specifying the qualified share of the authorised capital and/or voting rights of the Bank intended to be purchased as well as to provide documents and data specified in the list given in Paragraph 2 of Article 25 of the Banks' Law of the Republic of Lithuania.

Failure to observe the requirement to receive a decision of the Bank of Lithuania not to be in conflict with surpassing the aforementioned limits does not cause the transaction to become ineffective; however, due to the failure to observe this requirement the whole share of the

Bank's authorised capital and/or voting rights owned by the person acquiring it shall lose the voting right in the General Meeting of Shareholders.

Taxation of capital gains. Pursuant to the version of Article 17 of the Law on Income Tax of Individuals of the Republic of Lithuania which was in effect on 31 December 2009, income from securities sold or otherwise transferred to ownership received before 1 January 1999 shall not be subject to the income tax of individuals. Securities acquired after 1 January 1999, if they are sold or otherwise transferred to ownership not earlier than after 366 days from the day of the acquisition thereof (in case of selling a part of securities of the same entity of the same type and class, it shall be considered, in every case, that the securities acquired at the earliest time are sold or otherwise transferred to ownership in the first place) shall not be subject to the income tax of individuals either. If securities are sold earlier than 366 days from the date of their acquisition, the received profit shall be subject to tax at a rate of 15 per cent. This income received during the tax year of 2009 shall also be additionally subject to the obligatory health insurance tax of 6 per cent (in accordance with the Law on Health Insurance of the Republic of Lithuania).

Income from the sale of securities shall be subject to the income tax of individuals if a shareholder sells shares or otherwise transfers them to ownership to the entity that issued these shares or in case of sale of securities received as a result of the raise of the authorised capital, grant of shares without payment, and in other cases stipulated by the Law on Income Tax of Individual of the Republic of Lithuania.

Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, the profit of Lithuanian legal entities received from securities sold shall be subject to the tax on profit of 20 per cent from the income from an increase in the value of the assets. The income from an increase in the value of the assets shall mean the earned income formed by the difference between the prices of the transfer and acquisition prices of the assets. The acquisition price of the assets shall include the commission fees, and in case of sale of the assets, the selling price shall be reduced by the amount of the paid taxes.

9. Trade in shares of the companies of the Bank's group in regulated markets

In the official trading list of NASDAQ OMX AB, only the shares of Šiaulių bankas AB are quoted. ISIN code LT0000102253; the number of shares: 180,357,533. Shares of the Bank's subsidiary companies are issued for non-public circulation.

Shares issued by Šiaulių bankas AB are included in the comparative index of the OMX Baltic states securities market OMX Baltic Benchmark, which comprises shares of the highest capitalisation and most liquid companies as well as in indices OMX Vilnius, OMX Baltic, OMX Baltic Financials, and OMX Baltic Benchmark Cap. Besides, shares issued by the Bank are included in the indices Dow Jones STOXX Eastern Europe TMI, Dow Jones STOXX Eastern Europe TMI Small, and Dow Jones STOXX EU Enlarged TMI.

Changes in the share price within three years:

Source: NASDAQ OMX Vilnius AB website
http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt&currency=0&date=&start_d=1&start_m=1&start_y=2007&end_d=31&end_m=12&end_y=2009

Turnover of shares during the last three years:

Year	***Price of the last trading session, LTL***	***Maximum price, LTL***	***Minimum price, LTL***	***Number of transactions***	***Amount of shares***	***Turnover, LTL***
2007	3.45	4.30	3.23	16,279	63,592,580	245,999,508.75
2008	0.93	3.50	0.81	11,371	41,718,397	83,990,167.85
2009	1.12	1.54	0.62	6,621	20,746,641	19,112,056.20

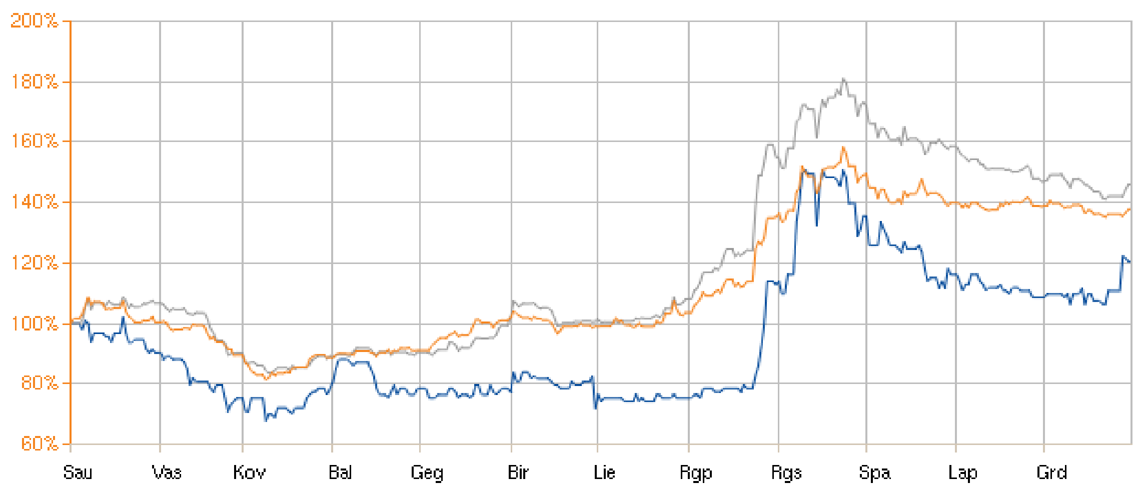
Source: NASDAQ OMX Vilnius AB

The biggest turnover in the Bank's shares during the reporting year of 2009 was recorded in the trading session of 30 June, when 1,292,468 shares were purchased/sold. The biggest turnover in terms of money was reached on 10 September 2009, when 310 transactions in the Bank's shares were registered amounting to a total of LTL 997 thousand. The highest share price was recorded on 10 September 2009, when it reached LTL 1.54, and the lowest price of LTL 0.62 was recorded on 12 March 2009.

The price and turnover of the Bank's shares during the reporting period:

Source: NASDAQ OMX Vilnius AB website
http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&market=XVSE&pg=details&tab=historical&lang=lt&currency=0&date=&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=12&end_y=2009

Below, the OMX Vilnius index, OMX Baltic Benchmark, and Šiaulių bankas AB share price change charts for 2009 are provided.



Data of the chart:

Index/Shares	***01-01-2008***	***31-12-2008***	***+/-, %***
OMX Baltic Benchmark GI	228.12	314.42	37.83
OMX Vilnius	179.25	261.77	46.04
SAB1L	LTL 0.93	LTL 1.12	20.43

Source: NASDAQ OMX Vilnius AB website

http://www.nasdaqomxbaltic.com/market/?pg=charts&lang=lt&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000102253&idx_equity%5B%5D=LT0000102253&period=other&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=12&end_y=2009

The Bank's share capitalisation was LTL 202 million (EUR 58.50 million) on 31 December 2009 and amounted to LTL 167.73 million (EUR 48.58) on 31 December 2008.

The capitalisation of shares of Šiaulių bankas and NASDAQ OMX Vilnius AB trading list as of the last trading day of 2009 and 2008 are as follows:

Baltic share list	*30-12-2008*	*30-12-2009*	*Change*
SAB1L	EUR 48,578,691.65	EUR 58,503,370.59	+ 20.43%
Vilnius market, total	EUR 2,607,846,138.47	EUR 3,219,512,569.74	+ 23.45%

Source: NASDAQ OMX Vilnius AB website
http://www.nasdaqomxbaltic.com/market/?pg=capital&currency=0&market=XVSE&stocktype%5B%5D=main&period=other&start_d=1&start_m=1&start_y=2009&end_d=31&end_m=12&end_y=2009

The indicator of the relation between the share market price and profit P/E:

Indicator	*31-12-2007*	*31-12-2008*	*31-12-2009*
P/E	19.17	9.3	negative

In 2009, several bond issues of the Bank were controlled in the debt securities list of NASDAX OMX Vilnius AB:

- the issue ISIN LT1000401059; amount – EUR 8 million; nominal yield – 7.5 per cent; redemption date – 27 May 2009. During 2009, the turnover of these securities amounted to 4,731 units; the total value of transactions – EUR 498 thousand (LTL 1,720 thousand);
- the issue ISIN LT1000406017; amount of the issue – EUR 21,898; redemption date – 27 November 2009; nominal yield – 9 per cent. During 2009, 9 transactions in these securities were concluded, by which 6,256 bonds for EUR 610 thousand (LTL 2,105 thousand) were purchased/sold;
- at the end of the reporting period, the list of debt securities included the issue LT1000401299; its amount – EUR 41,187; nominal value – EUR 100; interest rate – 5 per cent; redemption – 2 December 2010; no transactions in these securities were concluded;
- the amount of the issue LT1000401240 – EUR 12,198; nominal value – EUR 100; interest rate – 7.8 per cent; redemption – 15 July 2010. No transactions in these securities were concluded during the reporting period.

10. Information on agreements with intermediates in public circulation of securities

Šiaulių bankas has agreements on the accounting (safe custody) of securities and on acceptance and execution of orders with the following intermediaries in public circulation of securities:

- FMĮ Finasta AB;
- Danske Bankas A/S Lithuanian Branch;
- Parex Bank AB;
- DnB NORD bankas AB;
- Swedbank AB;
- SEB Bank AB.

Šiaulių bankas has an agreement with Ūkio bankas AB regarding protection of the interests of the owners of bonds issued by the Bank.

11. Acquisition of own shares

The Bank and its subsidiary companies or persons acting at the instruction of the subsidiary companies do not hold any shares of Šiaulių bankas AB. The Bank has not acquired its own shares and has not transferred them to other entities.

12. Information on the execution of all the standards limiting the Bank's operational risk

In 2009, Šiaulių bankas executed all the standards limiting the operational risk stipulated by the Bank of Lithuania.

13. Risk management

The group of Šiaulių bankas AB analyzes, evaluates, assumes, and manages the risks and group of risks which it encounters in its activities. The purpose of risk management in the group of the Bank is to ensure sufficient return on equity by managing risks in a conservative manner. By implementing an advanced risk management policy, the group of AB Šiaulių bankas seeks not only minimisation of potential risks, but also improvement of pricing and assurance of effective distribution of capital.

The risk management policy approved by the Board of the Bank and the procedures for the management of various types of risks prepared on the basis of the policy help to ensure the integrity of the risk management process throughout the group of the Bank. The objective of the risk management policy is to identify risks and their management principles in the Bank's activities. Since various risks encountered by the group of the Bank are interdependent, their management is centralised. One of the main objectives of the Bank's Risk Management Committee is the establishment and coordination of an appropriate risk management system.

The group revises its risk management policies and systems regularly, not less frequently than once a year, with regard to market changes, new products, and newly emerging best practices.

The most important types of risks encountered by the group of the Bank include credit, market, liquidity, and operational risks. The concentration risk is considered to be a part of the credit risk. The market risk encompasses the risk of currency exchange rate, interest rate, and price of equity securities (shares). Risks of other types are considered by the Bank as insignificant, and they are not evaluated.

In order to avoid conflict of interests, the divisions of the Bank which perform risk management functions are separated from the divisions direct activities of which are related with the emergence of various risks of banking activities.

14. Ratings assigned by international agencies and their revisions

On 26 June 2009, the international rating agency Moody's Investors Service determined the following revised ratings for Šiaulių bankas AB:
- long-term deposit rating – Ba3;
- financial strength rating – D;
- short-term deposit rating – NP;
- outlook on long-term rating – negative.

The rating agency reasoned the changes in the ratings and their outlooks by the impact of the recession on the Bank's yield and assets quality.

15. Information about activity results

After the rapid economic growth all the country's economy experienced fast fall in 2009. 2009 year mostly from the start of the activity was also financially unfavorable for Šiaulių bankas and its subsidiaries; however, the work of the whole Šiaulių bankas group was stable.

Šiaulių bankas AB incurred net loss of LTL 30.1 million during the accounting period, i.e. it earned by two and a half time less comparing to the analogous period last year, when LTL 17.5 million net profit was earned.

Since the financial state of the companies was going down, unemployment was growing, the Bank evaluated the clients risk more conservatively and carefully, the provisions for bad loans were growing each quarter – in 2009 special provisions were formed by 5.5 times more comparing with 2008, total – LTL 42.9 million. Due to the worsening quality of the assets the provisions of LTL 2.1 million were formed for the other asset within a year. Within 2009 the Bank earned from the activity LTL 7.7 million (by not evaluating the influence of subsidiaries, special provisions and income tax).

Special provisions had negative impact also on the results of the group of Šiaulių bankas – within 2009 the group of the Bank formed provisions of LTL 47.3 million; due to this fact it incurred the loss in the amount of LTL 35.6 million – in comparison with 2008 net profit of the whole group of the Bank decreased thrice. The only company of the group of Šiaulių bankas operating profitably in 2009 was Šiaulių banko turto fondas UAB. This company had earned LTL 0.1 million in net profit. During 2009 the loss of Šiaulių banko lizingas UAB reached LTL 3.017 million, whereas Šiaulių banko investicijų valdymas UAB incurred the loss amounting to LTL 0.902 million.

According to the data as of 31st December, 2009 the assets of Šiaulių bankas had grown by 0.5 per cent up to LTL 2 059.3 million in the course of the year (during 2008 - by 2 per cent) and was by LTL 10 million bigger to compare with 2008. This growth was mostly influenced by the grown part of the liquid asset, i.e. increased investment into the securities. During the accounting year the volume of the debt and equity securities (by not including the subsidiaries of the Bank) had grown by LTL 46.2 million or by 28 per cent up to LTL 215.3 million. Its part in the assets of the Bank had grown by 2.2 per cent. In 2009 the asset of the Bank's group comparing to 2008 had decreased by 0.28 per cent and at the end of December reached LTL 2.074 million.

In the end of December, 2009 equity profitability ratio of Šiaulių bankas reached 13.9 per cent – it allowed the Bank to successfully amortize the incurred loss. The liquidity ratio of the Bank remained high enough and comprised 38.23 per cent, i.e. by more than 8 per cent exceeded the minimum set by the Bank of Lithuania.

	Prudential requirements limiting the activity risk	***2009***	***2008***	***2007***
Bank	Capital adequacy, % (>8%) Liquidity, % (>30%) Maximum loan per borrower, % (< 25%) Big exposure standard, % (< 800%) General open position in foreign currency, % (< 25%)	13.90 38.23 24.56 198.85 0.31	15.08 38.75 21.30 166.20 0.41	15.07 44.03 13.29 156.99 1.40
Financial group	Capital adequacy, % (>8%) Maximum loan per borrower, % (< 25%) Big exposure standard, % (< 800%) General open position in foreign currency, % (< 25%)	13.90 24.38 152.08 0.31	15.19 21.12 111.86 1.30	14.33 13.88 115.98 1.39
Entire group	Capital adequacy, % General open position in foreign currency, %	13.90 0.31	15.21 1.26	14.62 1.32

Expensive borrowing resources and decreasing loan market affected the Bank‘s borrowing volume. In case of decrease of the companies‘ and people income the Bank‘s loan portfolio decreased almost by LTL 68.9 million in net value or by 4.1 per cent within 2009 and in the end of the year comprised LTL 1,605.6 million. During the accounting year the loans‘ part in the assets of the Bank comprised almost 78 per cent. Special provision formed to cover the value of the loans in the Bank amounted to 2.5 per cent, whereas the Bank‘s group‘s reached 2.9 per cent of the whole loans portfolio.

The biggest part of the Bank‘s liabilities was deposits portfolio. Since the beginning of 2009 the clients‘deposits sum placed in the Bank had grown by 21.4 per cent (LTL 269 million) and in the end of 2009 comprised LTL 1,528.8 million. Mostly the depoits of the legal entities were growing – 34 per cent (LTL 119 million). During the year deposits portfolio of the natural entities had increased by 16.6 per cent (LTL 150 million). During the accounting period the tendency of deposits in foreign currency increase was observed. When the dominance of relatively high interest rates on deposits by increasing the price of resources also made negative impact on the Bank‘s results.

An important factor worsening the Bank‘s results was decreasing net interest and services income as well as commission income. Net interest and commission income of Šiaulių bankas in 2009 comparing to 2008 decreased by 31.4 per cent up to LTL 36.1 million (during the accounting period net interest income had been received by 35.4 per cent less (LTL 15 million) than in 2008, while net commission income – by 14.4 per cent less). It was influenced by the decrease in borrowing volume, growth of financial resources price as well as receipt of lesser income from the loans.

Though Šiaulių bankas received by 4 per cent more interest income within 2009 (total LTL 140 million) than in 2008; however, interest expenses had grown by 23 per cent and comprised almost LTL 113 million for 2009. Increasing interest expenses were influenced by growing expensive resources.

Net commission income of Šiaulių bankas group had decreased up to LTL 8 million; by 39.1 per cent less – LTL 29.2 million of net interest income had been earned. Whereas during the accounting year total net interest and commission income of the whole group of the Bank reached LTL 37.3 million and comprised 65 per cent of volume for 2008, i.e. it had been decreased by 35 percent.

By implementing strict expenses control the Bank's activity expenses were decreasing. During the accounting year comparing to 2008 the administrative and activity expenses of the Bank decreased by 11.5 per cent – up to LTL 31.7 million, accordingly the Bank's group – by 10.8 per cent, up to LTL 36.6 million. This decrease was mostly influenced by the personnel expenses decrease – these expenses had been reduced in the Bank by 20 per cent (LTL 4.1 million) within a year.

Income decreasing faster than expenses made impact on efficiency ratio, i.e. Cost/income ratio. Cost/income ratio of Šiaulių bankas was increasing and in the end of the year reached 75.71 per cent – comparing to 2008 when this ratio comprised 55.59 per cent, it was decreased by 20.12 per cent.

To compare with 2008 equity return ratio (ROAE) of Šiaulių bankas and assets return ratio (ROAA) were decreasing: ROAA was decreased by 2.33 per cent, ROAE - by 17.56 per cent.

	Profitability ration	*2009*	*2008*	*2007*
Bankas	ROAA, %	-1.47	0.86	1.62
	ROAE, %	-11.22	6.34	12.92
	Cost/income, %	75.71	55.59	47.11
Financial group	ROAA, %	- 1.53	0.84	1.64
	ROAE, %	-11.74	6.22	13.08
	Cost/income, %	71.81	56.73	47.99
Entire group	ROAA, %	-1.71	0.65	1.42
	ROAE, %	-12.96	4.64	10.93
	Cost/income, %	78.42	59.27	49.94

During 2009 the number of clients was increased by 3.4 per cent – up to 128,041 thousand. This number was increasing due to the private clients.

The number of clients using Internet bank was also increasing – their number exceeded 39 thousand, i.e. has grown by 27.8 per cent. In 2009 via *SB linija* 80 per cent of all payment orders were implemented – comparing to 2008 this part had grown by more than 6 per cent. During the accounting year the number of implemented transfers via the Internet was by 2.5 less than in 2008. The number of payment card holders decreased by 8.1 per cent. In 2009 turnover of payment cards approximately reached LTL 21,843.6 million during a month. The Bank gradually continued the development of ATM's network – their number was increased up to 30.

In 2009 the efficiency of the bank's branches and client service centres was assessed; some economically unprofitable outlets in Vilnius, Kaunas, Panevėžys, Visaginas and Zarasai were closed. Karaliaučius client service center in Šiauliai was moved into the new premises of supermarket Šiaulių „Akropolis“.

16. Activity plans, development and prognosis

During the period of economic recession which is forecasted in 2010 as well, the activity of Šiaulių bankas group will be based on economy principle. The main accents of the activity for coming year will remain the following: capital increase, development of the possessed loan market share, sales stimulation and attraction of new clients, creation of modern banking products as well as development of the created ones, improvement of clients service quality, increase of popularity of the Bank’s trading brand and optimization of the outlets’ activity. The Bank will continue developing cooperation with small and medium business.

17. The most important events during the accounting period

In March 2009, Šiaulių bankas AB acquired 100 per cent of the authorized capital and voting rights of Šiaulių banko investicijų valdymas UAB as well as 100 per cent of the authorized capital and voting rights of Šiaulių banko turto fondas UAB.

In April 2009, Šiaulių Bankas became the successful tenderer in the tender announced by the Ministry of Economy of the Republic of Lithuania and Investicijų ir verslo garantijos (INVEGA) UAB for a part of assignations of the Lithuanian state budget intended for lending to small businesses. LTL 8 million was assigned to Šiaulių bankas for the provision of small loans.

In May 2009, Šiaulių bankas ranked first in the contest “Provision of Small Loans-Stage 2” and received the maximal possible amount for an applicant, i.e. LTL 35 million for crediting small and medium business.

In July 2009, Šiaulių bankas AB and Investicijų ir verslo garantijos (INVEGA) UAB signed the Open Credit Line Agreement, according to which the Bank was entitled to extend loans to small and medium sized enterprises from the funds of the Open Credit Fund. Up to 75 per cent of the credit’s sum to the client was foreseen to Šiaulių bankas from the Open Credit Fund on financing needs of the clients, the remaining part – from the own assets.

In August 2009, Šiaulių bankas together with other four banks won the selection of banks for extension of state-supported loans to students announced by the Ministry of Finance of the Republic of Lithuania.

In September 2009, Šiaulių bankas, in cooperation with the European Investment Fund (EIF), started to implement a new financial instrument, which allowed simplified financing of micro enterprises as well as small and medium sized enterprises. Šiaulių bankas was selected by the EIF for extension of shared risk loans, and the EIF intended to allocate up to EUR 20 million to the Bank from the JEREMIE Holding Fund.

In October 2009, Šiaulių bankas signed an agreement with the European Bank for Reconstruction and Development (EBRD) concerning allotment of a convertible loan of LTL 30 million to AB Šiaulių bankas. The funds are intended for financing of small and medium business as well as for development of Infrastructure Projects implemented by the state companies or private companies significant for municipalities and state regions.

In October 2009, in the Ministry of Agriculture, Šiaulių Bankas signed a EUR 2.4 million worth agreement with the Credit Fund managed by Žemės ūkio paskolų garantijų fondas (Rural Credit Guarantee Fund) UAB regarding a target credit for granting of preferential credits to the agricultural sector. It was allocated EUR 2.4 million of target credit funds for the bank for granting of preferential credits to the agricultural sector.

In October 2009, Šiaulių bankas AB and Investicijų ir verslo garantijos (INVEGA) UAB signed the Agreement on Cooperation regarding provision of guarantees for loans taken for modernization of multi-apartment buildings.

In December 2009, NASDAQ OMX Baltic stock exchanges in Vilnius, Tallinn, and Riga announced the results of the Baltic Market Awards. In terms of provision of information, Šiaulių bankas is one of the most progressive in the securities market of the Baltic States.

In 2009 Šiaulių bankas was in close cooperation with the European Bank for Reconstruction and Development (EBRD), European Council Development Bank, North Investment Bank (NIB) KfW Bankengruppe (KfW), European Investment Bank (EIF) and other institutions. It was also actively working by attracting resources from special and lending funds, which consists of Central Projects Management Agency, Lithuanian Environmental Investment Fund, the Bank of the World, Ministry of Economy of the Republic of Lithuania and Ministry of Agriculture of the Republic of Lithuania. During 2009 the Bank redeemed the loans amounting in LTL 157.1 million and signed the new ones with different institutions for LTL 222.9 million.

18. Social responsibility

Šiaulių bankas is the member of the United Nations World Agreement; therefore, social responsibility is an inseparable part of the whole Bank group‘s activity. The World Agreement is based on the principles of human rights, employees‘ rights, environment protection and fight with corruption

In 2009 Šiaulių bankas paid big attention for the work with small and medium-sized business by providing consultations to entrepreneurs. The Bank together with the Ministry of Agriculture of the Republic of Lithuania organized information days for business; together with Investicijų ir verslo garantijos UAB, business incubators and City Municipalities organized cycles of seminars in the regions free of costs. The Bank taking part in social life also supports cultural and sport events; traditionally each year allocates premiums to students for the best projects for Šiauliai city and business.

The Bank had organized voluntary blood donation action already for the fifth years in turn. In 2009 part of the Bank‘s employees voluntarily entered the data Bank of bone marrow donors.

The Bank not for the first time participated in the charity campaign “The Kindness Day”, which was intended for fight with cancer, arranged by LNK television; the accumulated money from this campaign were donated to the Institute of Oncology of Vilnius University, Children‘s Hospital of Vilnius University, Kaunas Medicine University Clinic and Klaipėda

University Hospital. In 2009 the Bank also joined the social campaign „Non-smoking European“, which was held throughout the Europe.

19. Paid dividends

The Bank does not have an established procedure for allocation of dividends. The general shareholders' meeting decides either to pay dividends or not while allocating the Bank's profit.

List of Baltic shares	*2009*	*2008*	*2007*	*2006*
Per cent from the nominal value	0.00	2.00	2.00	2.00
Amount of dividends per share, in LTL	0.00	0.02	0.02	0.02
Amount of dividends, in LTL	0.00	3,220,670	2,180,784	1,694,400

Taxation of dividends. Profit taxation of legal entities is regulated by the Profit Law of the Republic of Lithuania No. IX-675 as of 20 December, 2001 and on its bases decisions and other legal acts adopted by the Government of the Republic of Lithuania.

Taxation of citizens income is regulated by the Law on Citizen's Income Tax of the Republic of Lithuania No. IX-1007 as of 2nd July, 2002, the latter changes of this law as well as decisions adopted on the bases of this law.

In 2009 paid dividends are charged with 20 per cent payment and 6 per cent payment on Health Insurance for Natural persons. Dividends of Lithuanian unit, possessing 10 per cent of issuer‘s capital for longer than one year, are not charged (with exceptions that are described in the Profit Law of the Republic of Lithuania).

After 2009 from dividends paid under legal acts valid during the complement of this report, health insurance payment is not deducted. Dividends paying company (Šiaulių bankas AB) deducts and pays taxes to the budget.

20. Principles of the Internal audit performance

The goal of the Internal Audits is to inspect the activities independently and impartially and provide consultations, to assess the Bank's risk management systematically and comprehensively, to evaluate the Bank's internal control processes and foster its improvements, to assist the Bank in achieving its aims insuring that the internal control goals are achieved at the lowest possible costs and the functions of the internal control are implement successfully as it is defined in the General Bank's Internal Control and Risk Evaluation (management) Organization Provisions approved by the Bank of Lithuania. The Internal Audit Division performs the finance audit, equivalence audit, activity audit, audit of information systems and projects.

The Internal Audit Division performs its functions in accordance with the annual activity plan as well as long-term activity plan (2009-2011) approved by the Internal Audit Committee. The Internal Audit Division is under direct control of the Internal Audit Committee; the Internal Audit Division reports to the Internal Audit Committee at least every quarter.

The officers of the Internal Audit Division prior to performance of each audit prepare the audit program. Taking into consideration defects detected in the process of audit and recommendations made by the Internal Audit Division, the heads of the Bank's divisions approve the plan of implementation of recommendations listed in the Internal Audit report. The heads of divisions taking into consideration the significance of the provided conclusions and recommendations assign the internal auditors to perform the control of the implemented recommendations (progress monitoring).

The post-audit activities (progress monitoring) also include inspections on elimination of defects detected by the external auditors and the Bank of Lithuania and implementation of their recommendations.

21. Employees

As of December 31st 2009, Šiaulių bankas employed 475 staff members, 71 per cent of whom had the university education, 17 per cent had college, 7 per cent secondary education (32 per cent of them are recently studying) and 7 per cent had special secondary education. In comparison with 2008, the number of employees decreased by 9 per cent; such a fall was mainly caused by optimization of the Bank‘s service network and closure of economically unprofitable outlets. As of December 31st 2009, Šiaulių bankas group employed 530 employees in total.

Implementing the Human Resource policy the Bank seeks creating and developing the long-tem collaboration with its employees. 19 per cent of employees have been working in the Bank for more than 10 years. The Bank's employees while providing financial services for the clients are helpful, reliable, effective and flexible.

The Bank seeks providing conditions for the employees to reveal themselves and develop; the Bank also creates modern work environment and seeks for opportunities to combine the employees' satisfaction and their commitments and thus ensuring the good quality of the performed tasks.

The employees are provided with the opportunities to improve their competencies and skills in the internal and external seminars. For the efficient use of the employees‘ competence, the Bank organizes internal contests to take up new positions, by providing career development possibilities for the employees. The enterprises of Šiaulių bankas group actively search for new employees among students.

Motivating the employees, the Bank‘s group is implementing flexible and motivation stimulating decisions: creates programmes, revises the remunerations; the Bank‘s group each year organizes “The person of the year” elections and supports initiatives of the employees‘ development.

In 2009 Šiaulių bankas together with other eleven banks operating in Lithuania, seeking to analyze and compare clients‘ service quality, to evaluate strong and weak points of clients‘ service, participated in secret client‘s research, where Šiaulių bankas results exceeded average index, set during the research, of all the banks.

Average monthly salary of the relevant employee group before taxes:

Employee group	2007		2008		2009	
	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL	Number of employees	Average monthly salary, LTL
Management	8	18,027	8	23,039	8	17,106
Officers	450	2,292	484	2,410	454	1,980

The Bank does not have agreements with the employees foreseeing compensations in case of retirement or dismissal without the reasonable ground or in case their capacities would be canceled because of changes in the Bank‘s control.

The Bank also is not the party of material agreements, which would become effective, change or would be canceled because of changes in the Bank‘s control.

22. The Bank's bodies

Bodies of the Bank are as follows: general meeting of the shareholders of the Bank, Council of the Bank, Board of the Bank and Head of administration of the Bank (Head of the Bank). Board and Head of the Bank are managing bodies of the Bank.

Exclusively the General Shareholders' Meeting:
- amends Charter of the Bank, except of the cases, provided in the laws;
- elects the Council or its individual members;
- recalls the Council or its individual members;
- elects and recalls the audit company, sets terms of payment for audit services;
- approves annual financial statements of the Bank and report on activity of the Bank;
- sets class, number, par value and minimum issue price of the shares, issued by the Bank;
- adopts resolution regarding:

  - issuing of convertible bonds;
  - cancellation of the preference right to purchase shares or convertible bonds of the Bank of a given emission to all of the shareholders;
  - conversion of the Bank's shares of one class into another, approval of the conversion order;
  - allocation of profit/loss;
  - making, use, reduction and cancellation of reserves;
  - increase of authorized capital;
  - reduction of authorized capital, except of the cases, provided in the laws;
  - purchase by the Bank of its own shares;
  - reorganization or demerge of the Bank, approving terms of such reorganization or demerge;
  - restructuring of the Bank;
  - liquidation of the Bank, cancellation of liquidation, except of the cases, provided in the laws.

The Council of the Bank is a collegial body supervising the activities of the Bank and directed by its chairman. The number of members of the Council is seven (7). The Council shall be elected by the Meeting for a term of four years. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.
The Council shall:
▪ elect members of the Board and remove them from office, makes recommendations to the Board regarding the candidature for the Chairman of the Board. Prior approval of the Council is necessary to obtain before setting salaries of the Board members who hold other positions in the Bank, Head of the Bank and his deputies, as well as other terms of labour contract. If the Bank works at loss, the Council must consider the suitability of the Board members for their positions;
▪ elect members of the Internal Audit Committee;
▪ supervise activities of the Board and the Head of the Bank;
▪ supervise the implementation of plans of Bank activities, analyse the Bank's income and expenses, own investments and capital adequacy issues;
▪ adopt Council work regulation;
▪ approve plans of Bank activities and annual budget;
▪ approve any type of policies related to the Bank's activities including the risk management policy;
▪ approve the business strategy of every entity controlled by the Bank;
▪ provide the Bank with effective internal control system;
▪ make proposals and comments to the General Shareholders' Meeting on the Bank work strategy, the Bank's annual financial statements, the draft of the profit distribution and the report on the Bank's activities as well as activities of the Board and the Head of the Bank;
▪ approve loan granting policy and set order of borrowing subject to Supervisory Board's approval;
▪ make proposals to the Board and the Head of the Bank to cancel their resolutions that contradict the laws and other legal acts, this Charter or resolutions of the Meeting;
▪ point out the transactions and resolutions, making or implementation of which is subject to Council's approval;
▪ adopt resolutions, assigned to Council's competence according to the order, approved by the Council; such order shall be adopted by the Council following the laws, this Charter or resolutions of the Meeting;
▪ consider other matters, subject to its consideration or solution, provided for in the laws of this Charter or in the resolutions adopted by the Meeting.

The Board of the Bank is a collegial Bank management body, consisting of five (5) members. It manages the Bank, handles its matters and answers under the laws for execution of the Bank's financial services. The Board is elected by the Council for a term of 4 years. Order of the board's work is set by the Board work regulations.
The Board shall consider and approve:
▪ the structure of the Bank management and positions; posts in which persons are employed only by holding competitions;
▪ regulations of the branches, representatives and other separate subdivisions of the Bank;
▪ order of loan granting by the Bank, following the loan granting policy, approved by the Council;
▪ order of issuing guarantees, securities and taking of other liabilities;
▪ order of writing-off of loans and other debt liabilities;
▪ regulations of loan committee and risk management committee of the Bank;

▪ the Board shall elect and remove from office the Head of the Bank and his deputies. The Board sets salary and other terms of labour contract with the Head of the Bank, approves his/her office regulations, induces and punishes the Head of the Bank;
▪ the Board determines the information to be considered commercial secret of the Bank.
The Board shall adopt:
▪ decisions on the Bank becoming the incorporator, member of other legal entities;
▪ decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
▪ decisions on the investment, transfer or lease of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
▪ decisions on the mortgage or hypothecation of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
▪ decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the Bank's authorized capital;
▪ decisions on the acquisition of long-term assets the price whereof exceeds 1/20 of the Bank's authorized capital;
▪ decisions on issuing of non-convertible bonds;
▪ board work regulation;
▪ decisions on other matters it has to consider or solve under the laws or Charter of the Bank.
Board shall set:
▪ terms for emission of the shares of the Bank;
▪ order for emission of the bonds of the Bank. When the Meeting adopts a resolution regarding issuing of convertible bonds, the Board is entitled to set additional terms of issuing and to approve bond subscription agreements, signed by the Head of the Bank or his authorized person so entitled;
▪ order and cases of employment in the Bank, when the employees are engaged with the Board's approval.
The Board shall execute the resolutions, adopted by the Meeting and the Council.
The Board shall analyze and evaluate the material submitted by the Head of the Bank on:
▪ implementation of the Bank's activities strategy;
▪ arrangement of the Bank's activities;
▪ financial situation of the Bank;
▪ results of business activities, income and expenditure estimates, stock-taking data and other records of valuables.
▪ the Board shall analyze, assess the Bank's draft annual financial statements and draft of the profit/loss allocation and, having approved of the above drafts, submit them to the Board and Meeting. The Board shall determine the method of estimating material asset depreciation.
▪ the Board shall solve other matters of the Bank's activities, if they are out of the other managing bodies' competence under the laws and this Charter.
The Board shall convene and hold Meetings in due time.

The Head of the Bank arranges everyday activities of the Bank and performs other actions necessary to perform his functions, to implement decisions of the Bank's bodies and to secure the Bank's activities.
The Head of the Bank:
▪ arranges everyday activities of the Bank;
▪ engages and discharges employees, makes work contracts with them and terminates them,

induces them and appoints penalties. The Head of the Bank is entitled to authorize another Bank employee to perform the mentioned actions;
▪ sets calculation rates for assets depreciation, applied in the Bank;
▪ without special authorization represents the Bank in its relations with other persons, in court and arbitrage;
▪ grants and cancels powers of attorney and procurements;
▪ issues orders;
▪ performs other actions, necessary to perform his functions, to implement decisions of the Bank's bodies and to secure Bank's activities.
The Head of the Bank is responsible for:
▪ arrangement of the Bank's performance and implementation of its aims;
▪ making of annual financial accounting;
▪ making of a contract with audit company;
▪ delivery of information and documents to the Meeting, Board and Council in the cases, provided for in the laws or upon request;
▪ delivery of Bank documents and data to the custodian of the Register of Legal Entities;
▪ delivery of the documents to the Securities Commission and to the Central Securities Depository of Lithuania;
▪ publication of the information, prescribed by the laws and other legal acts, in the newspapers, stated in this Charter;
▪ information delivery to the shareholders;
▪ execution of other duties, prescribed by the laws and legal acts, this Charter and official work regulations.
The Head of the Bank acts on the Bank's behalf and is entitled to make transactions at his sole discretion, except the exceptions, stated therein or in the resolutions of the bodies of the Bank.

23. Members of the Collegial bodies

The Bank's Supervisory Council

▪ **Arvydas Salda** – Chairman of the Bank's Supervisory Council. A consultant of Šiaulių banko turto fondas UAB, the member of the Supervisory Council of Šiaulių bankas AB since 1991 (the Chairman since1999).
▪ **Sigitas Baguckas** – Procurist of Namų statyba UAB. Deputy Chairman of Council of Šiaulių bankas AB since 2000, member of Council since 1991.
▪ **Gintaras Kateiva** – Director of Litagros prekyba UAB; advisor of the director of Litagros mažmena UAB, member of the Supervisory Council of Šiaulių bankas AB since 2008.
▪ **Kastytis-Jonas Vyšniauskas** – Chairman of the Board of Sulinkiai UAB; member of the Supervisory Council of Šiaulių bankas AB since 1996.
▪ **Vigintas Butkus** – Director of Mintaka UAB; Director of trade house Aiva UAB (secondary capacity), member of the Supervisory Council of Šiaulių bankas AB since 2004.
▪ **Vytautas Junevičius** – General Director of Alita AB; a member of the Supervisory Council of Šiaulių bankas AB since 2006.
▪ **Matti Hyyrynen** – Head of the European Bank for Reconstruction and Development's Resident Office in Vilnius. A member of the Supervisory Council of Šiaulių bankas AB since 2008.

The Bank's Board

▪ **Algirdas Butkus** – the Chairman of the Board, Chief Executive Officer.
▪ **Donatas Savickas** – Deputy Chairman of the Board, Deputy Chief Executive Officer, Head of Finance and Credit Division.
▪ **Vita Adomaitytė** – member of the Board, Chief Financial Officer, Head of Accounting and Reporting Division.
▪ **Jonas Bartkus** – member of the Board, Deputy Chief Executive Officer, Head of Business Development Division.
▪ **Daiva Kiburienė** – member of the Board, Deputy Chief Executive Officer, Head of Corporate and Retail Banking Division.

Name, surname	*Beginning/end of tenure*	*Share of capital under the right of ownership, %*	*Share of votes together with the related entities, %*
Arvydas Salda	beginning 27-03-2008 end 2012	2.63	40.08
Sigitas Baguckas	beginning 27-03-2008 end 2012	0.58	40.08
Kastytis Jonas Vyšniauskas	beginning 27-03-2008 end 2012	1.00	40.08
Vigintas Butkus	beginning 27-03-2008 end 2012	0.31	40.08
Vytautas Junevičius	beginning 27-03-2008 end 2012	0.03	40.08
Matti Hyyrynen	beginning 27-03-2008 end 2012	-	-
Gintaras Kateiva	beginning 27-03-2008 end 2012	5.86	40.08
Algirdas Butkus	beginning 27-03-2008 end 2012	4.49	40.08
Donatas Savickas	beginning 27-03-2008 end 2012	< 0.01	40.08
Vita Adomaitytė	beginning 27-03-2008 end 2012	0.02	40.08
Jonas Bartkus	beginning 27-03-2008 end 2012	< 0.01	40.08
Daiva Kiburienė	beginning 27-03-2008 end 2012	0.01	40.08

Information on participation of the members of the Collegial bodies and Chief Financial Officer in the activity and capital of other companies:

Name, surname	*Participation in the activity of other companies (name of the company, position)*	*Participation in the capital of other companies (percentage in the capital over 5%)*
Arvydas Salda	▪ Member of the Council of Šiauliai University ▪ Member of the Board of Klaipėdos LEZ valdymo bendrovė UAB ▪ Member of the Board of LEZ Projektų valdymas UAB ▪ A consultant of Šiaulių banko turto fondas UAB ▪ Member of the Board of Pavasaris UAB	▪ SLEZVB UAB – 11.05% ▪ STIV UAB – 21.62% ▪ Investicinis žemės bankas UAB – 10.20% ▪ Pamūrė UAB – 16.50%
Sigitas Baguckas	▪ Procurist of Namų statyba UAB	▪ Namų statyba UAB – 47.12% ▪ Pamūrė UAB – 16.50%
Kastytis Jonas Vyšniauskas	▪ Chairman of the Board of Sulinkiai UAB	▪ Sulinkiai UAB – 8.96%
Vigintas Butkus	▪ Director of trade house Aiva UAB ▪ Director of Mintaka UAB (secondary capacity)	▪ Šiaulių komercija AB – 9.82% ▪ Aiva UAB – 9.25% ▪ Mintaka UAB – 9.80%
Vytautas Junevičius	▪ Chairman of the Board, General Director of Alita AB ▪ Chairman of the Board of the companies‘ group Alita AB ▪ Chairman of the Board of Anykščių vynas AB	▪ Alita AB – 41.89% ▪ companies‘ group Alita AB – 41.90% ▪ Aunuva UAB – 50.00%
Gintaras Kateiva	▪ Director of Litagros prekyba UAB ▪ Chairman of the Board of Litagra UAB ▪ Adviser Director of Litagros mažmena UAB	▪ Litagra UAB – 49.00% ▪ Pavasaris UAB – 6.52% ▪ Šiaulių tauro televizoriai UAB – 5.10% ▪ KPC nekilnojamas turtas UAB – 25.00%
Matti Hyyrynen	▪ Head of the European Bank for Reconstruction and Development‘s Resident Office in Vilnius ▪ Member of the Supervisory Board of AS Estonian Cell (Estonia) ▪ Member of the Supervisory Board of AS Tallina Vesi (Estonia)	-

Algirdas Butkus	-	▪ Trade house Aiva UAB – 66.35% ▪ Šiaulių komercija AB – 24.02% ▪ Visnorus UAB – 24.94% ▪ Mintaka UAB – 68.08% ▪ Investicinis žemės bankas UAB – 19.99% ▪ Pamūrė UAB – 16.50%
Donatas Savickas	-	-
Vita Adomaitytė	-	-
Jonas Bartkus	-	-
Daiva Kiburienė	-	-

Amounts of funds in total and average amounts per members of the collegial body calculated during 2009:

Members of management bodies	***Number of people***	***total amounts, LTL***	***Average amounts, LTL***
Members of the Bank's Council	7	-	-
Members of the Bank's Board	5	1,432,420	286,484
CEO and CFO	2	967,582	483,791

Loans granted to the members of the Council and Board as of December 31st 2009:

Members of management bodies	***Granted loans, LTL***
Members of the Bank's Council	5,956,077
Members of the Bank's Board	30,383
TOTAL	5,986,460

There were no guarantees or warranties issued in 2009 regarding the fulfillment of liabilities of management bodies' members.

24. Transactions with related parties

There were quite many banking transactions entered with related parties in the course of general activities in 2009. The related parties of the Bank are as follows: the members of the Bank's Supervisory Council and the Bank's Board, shareholders acting together under the Shareholders' Agreement, close family members of the mentioned related parties as well the bank's subsidiaries and the companies which are controlled by the related parties, jointly controlled companies or companies, in which these related parties have a significant influence. All the transactions have been entered into on an arm's length basis. The comprehensive description of the transactions is provided in the explanatory note of the financial statement of Šiaulių bankas for 2009.

25. Data on the publicly disclosed information

Publicly disclosed information in the course of 2009:
- 15-01-2009 Information on loss of share block;
- 15-01-2009 Information on loss of share block;
- 12-02-2009 The approval of the Base Prospectus of Non-equity Securities in the amount of LTL 100 million;
- 19-02-2009 The Convocation of the Ordinary General Shareholders' Meeting;
- 19-02-2009 Šiaulių bankas activity results of 2008;
- 27-02-2009 Interim financial information of Šiaulių bankas AB for 12 months of 2008;
- 03-03-2009 The corrected interim financial information of Šiaulių bankas AB for 12 months of 2008;
- 17-03-2009 Draft resolutions (27-03-2009) of the Ordinary General Meeting of Shareholders;
- 27-03-2009 Resolutions of the Ordinary General Shareholders' Meeting;
- 30-03-2009 Acquisitions of blocks of shares;
- 30-03-2009 Audited annual information for 2008;
- 10-04-2009 The operating result of the Bank for the first quarter of 2009;
- 29-04-2009 The Convocation of the Extraordinary General Shareholders' Meeting;
- 30-04-2009 New bonds issue;
- 21-05-2009 Cancellation of the Extraordinary General Shareholders' Meeting
- 28-05-2009 It has been decided to apply for the enrollment of the bond issue into trading in the regulated market;
- 29-05-2009 Regarding information about a subordinate loan;
- 29-05-2009 Pre-audited activity result of Šiaulių bankas group for the first quarter of 2009;
- 29-05-2009 Financial statements of Šiaulių bankas AB for the Ist quarter of 2009;
- 16-06-2009 Dissemination of the bond issue;
- 26-06-2009 New ratings of Šiaulių bankas AB are approved;
- 13-07-2009 It has been decided to apply for the enrollment of the bond issue into trading in the regulated market;
- 17-07-2009 An application submitted for enrollment of the bond issue into trading in the regulated market;
- 20-07-2009 Activity result of the Bank for the first half year of 2009;
- 06-08-2009 EBRD Grants Convertible Loan of EUR 30 Million to Šiaulių bankas;
- 28-08-2009 Pre-audited activity result of Šiaulių bankas group for the first half year of 2009 and interim information;
- 01-10-2009 Šiaulių bankas made a presentation to investors at the stock exchange;
- 14-10-2009 An agreement with the European Bank for Reconstruction and Development concerning a convertible loan of EUR 30 million has been signed;
- 21-10-2009 The pre-audited activity result for 9 months of 2009 of Šiaulių bankas AB and the Bank's Group;
- 02-11-2009 New bonds issue;
- 30-11-2009 Financial statements of Šiaulių bankas for 9 months of 2009;
- 30-11-2009 It has been decided to apply for the enrollment of the bond issue into trading in the regulated market;

▪ 02-12-2009 An application submitted for enrollment of the bond issue into trading in the regulated market;
▪ 23-12-2009 The documents related to the convertible loan have been signed, the conditions of conversion are being announced;
▪23-12-2009 The notification about intention to announce the mandatory offer has been received;
▪ Reports regarding the transactions with the Bank's shares made by the Bank's senior management.

Šiaulių bankas AB has informed the Securities Commission and Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) about all the stock events in accordance with the procedures set by the Charter and the legal acts of the Republic of Lithuania, also, announced this information in the daily newspapers "Lietuvos rytas" and "Šiaulių kraštas" and provided it on the Šiaulių bankas website www.sb.lt. Other regulated information (reports on a share block acquisition and loss as well as on transactions of the senior management) was announced on the websites of the Vilnius Stock Exchange and Securities Commission.

26. Procedures of Charter amendments

The Bank's Charter can be amended only by the resolution of the General Shareholders' Meeting at 2/3 majority of votes, except exclusive cases defined in the law.

27. Information regarding compliance with the Governance Code

The Bank operates in compliance with the many standards set in the Governance Code. Information about how the Bank complies with the particular articles of the Governance Code is provided in the annexed enclosed to the present report together with the financial statements of 2009. The entire information is also available on the website of Šiaulių bankas www.sb.lt.

Chief executive Officer  Algirdas Butkus

ŠIAULIŲ BANKAS AB
Report on the compliance with the Governance Code for the companies listed on the NASDAQ OMX AB Vilnius

Šiaulių bankas AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and 24.5 clause of the listed rules on NASDAQ OMX AB Vilnius, discloses its compliance with the Governance Code, approved by the NASDAQ OMX AB Vilnius for the companies which securities are traded on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	***YES/NO /NOT APPLICABLE***	***COMMENTARY***
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes/No	The Bank prepares (activity) business plans and provides them to the Bank of Lithuania. Only made and already implemented particular decisions are declared publicly. The Bank's activity goals include seeking profit by providing financial services, fostering the clients and those who could become the clients to use the financial services efficiently, seeking to provide the clients with the high quality services, forming positive image of the Bank and banking system, introducing society with the financial services and services related to them, providing material and other help or support to separate the entities and separate fields, and paying exclusive attention to the culture, art, education and sports.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests not only of the company's shareholders but also of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's	Yes	The rights and interest of the shareholders, employees, clients and other entities related to the bank's activities are respected; the bank works in compliance with requirements set by the Labour Code as well as with the provisions stated in the agreements between

operation, are duly respected.		clients and suppliers.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The Bank's bodies include a general shareholders' meeting, the Bank's Supervisory Council, the Bank's Board and the chief executive officer.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	At the Bank the recommended management function is performed by the Board, supervision of the management bodies - the Bank's Supervisory Council.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both bodies are formed at the Bank - the Bank's Supervisory Council and the Bank's Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The Supervisory Council is set up at the Bank. The candidates to the Supervisory Council are elected and the votes for them are given in compliance with procedures defined in the law. The right of small shareholders to have their own representative is not suppressed.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Bank's Board consists of 5 members; the Supervisory Council consists of 7 members. Taking into consideration the Bank's size, scope of activities and the number of shareholders such number of members is the most optimal. Each member has one vote while the bodies are making decisions.

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The term of tenure of the Bank's Board and Supervisory Council members is 4 years. According to the Bank's Charter members of management and supervisory bodies can be re-elect for the next tenure.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of Supervisory Council have never been the Bank's chief executive officer.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data	Yes/No	Information is provided before the shareholders' meeting if the members are suggested in advance. During the meeting the members of the Supervisory Council introduce themselves and answer the shareholders' questions before voting. Eligibility of the member to be elected to the Supervisory Council is assessed by the Bank of Lithuania.

provided in this item on its members and disclose this in the company's annual report.		
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes/No	While electing the members of the Supervisory Council, their particular competences relevant to his/her service are disclosed. The Bank supposes that it is suffice to meet the standards and provisions set in the Acts of Law of the Republic of Lithuania including the requirement approved by the resolutions of the Bank of Lithuania which indicates that people who are being elected and assigned into senior management have to receive the permission from the Bank of Lithuania. In the Bank‘s annual report the information on the Bank‘s Supervisory Council members‘ work activities as well as their participation in the activity of the other companies is presented.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by the members of collegial body, the collegial body should determine its desired composition with regard to the company's structure and activities, and evaluate this periodically. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration determination policy.	Yes/No	Considering the fact that all the members of the collegial body receive licenses of the Bank of Lithuania to hold positions; the bank considers that they possess necessary knowledge of and experience to properly implement the tasks. The members of the audit committee have knowledge in field of finance; an independent member is competent in the field of audit. The remuneration committee is not established in the Bank.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	See section 3.3
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The members of the Supervisory Council perform their duties and seek avoiding the conflict of interests. The General Shareholders' Meeting makes a decision on whether to have or not to have an independent member and elected are those who receive the biggest number of votes. The shareholders offering the candidates to the Supervisory Council have their own opinion concerning what candidates will represent their interest in

		the Council best.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any	No	The Supervisory Council does not have an in dependent member.

material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Not applicable	See sections 3.6; 3.7.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Not applicable	See sections 3.6; 3.7
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See sections 3.6; 3.7.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance	Yes	The Supervisory Council performs all the control and monitoring functions within its competence assigned by the company regarding the management performance.

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes/No	The members of the Supervisory Council act in good faith with regard to the Bank and according to its interest not of their own one or of the third parties trying to maintain their independence while making decisions. The independence of the members was not assessed.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes/No	The members of the Supervisory Council actively participate in the meetings and devote sufficient time to perform his duties as a member of the collegial body. The Bank does not provide information to its shareholders regarding the members' participation in meetings during the last financial year.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent	Yes/No	All the transactions are concluded according standard conditions performing usual banking activities. Not all transactions are approved by the collegial body.

members of the collegial body voted for such a decision.		
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using their services with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that they would not at the same time advice the affiliated company, executive director or members of management body.	Yes/No	The work and decisions of the Supervisory Council are not influenced by people who elected the members of this body. The members of the Supervisory Council have a right to receive the information and documents necessary for appropriate performance of their duties through the Bank's Board and Chief Executive Officer. The remuneration committee is not established in the Bank.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and	Yes/No	The Bank has formed the Audit Committee. The Nomination and Remuneration Committees are not formed. The functions of these committees are performed by the Supervisory Council itself.

transparency) should apply, where relevant, to the collegial body as a whole.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should act independently and based on integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes/No	The Audit Committee submits the Supervisory Council recommendations regarding its decisions. The Nomination and Remuneration Committees are not formed. The functions of these committees are performed by the Supervisory Council itself.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to refresh membership and that undue reliance is not placed on particular individuals.	Yes/No	The Audit Committee consists of 3 members. It is comprised of 2 members of the Bank's Supervisory Board and 1 independent member. The Nomination and Remuneration Committees are not formed.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes/No	The authority delegated to the Audit Committee as well as its accounting are set in the Committee's provisions approved by the Supervisory Council. The Bank does not provide information regarding the activity's directions of the Audit Committee as well as number of held meetings and the committee's members' participation there.

4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	Other members of the management bodies who are not Committee's members participate in the meetings in case the Committee invites.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	There is no Nomination Committee at the Bank.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such	No	There is no Remuneration Committee at the Bank.

policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors and the member of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy (as well as the policy regarding share-based remuneration) for executive directors or members of management body, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for		

the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general shareholders' meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance	Yes	

relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be		

timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The Bank does not have practice of assessment of the Supervisory Council's performance and making it public.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Supervisory Council is chaired by the Chairman of the Supervisory Council, the Bank's Board is chaired by the Chairman of the Bank's Board.

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month	Yes	The Meetings of the Supervisory Council are carried not less than 4 times a year. The interval between two meetings cannot be longer than 4 months. The Meetings of the Bank's Board are carried not less than once a month.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares that comprise the Bank's authorized capital grant the same rights all their holders.

6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares	Yes	The rights provided by the newly issued shares are described in the Securities prospectus.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The decisions regarding the long-term assets the balance value of which exceeds 1/20 of the Bank's authorized capital, purchase, pledge or hypothec as well as liabilities of other persons the amount of which exceeds 1/20 of the Bank's authorized capital are made by the Bank's Board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	
6.5. If is possible, in order to ensure the foreigners the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting, including decisions projects of the meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Bank's shareholders may participate in the general shareholders' meeting in person or through their representative. The voting is possible by filling the general voting bulletin.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by providing opportunity to the shareholders to vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Bank is not ready and does not suppose it is necessary to use the modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public report of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration report should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Bank does not prepare a report of the company's remuneration policy and does not declares it publicly being of the opinion that such information is not to be published. In the scope set by the valid requirements, the average salaries are declared in the Bank's annual reports and share issue prospects.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Not applicable	See section 8.1.
8.3. Remuneration statement should leastwise include the following information: •Explanation of the relative importance of the variable and non-variable components of directors' remuneration; •Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; •An explanation how the choice of the activities' results evaluation criteria contributes to the long-term interests of the company;	Not applicable	See section 8.1.

•An explanation of the methods, applied in order to determine whether the activities' results evaluation criteria have been fulfilled; •Sufficient information on provision periods with regard to variable components of remuneration; •Sufficient information on the linkage between the remuneration and activity's results; •The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; •Sufficient information on the policy regarding termination payments; •Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 ; •Sufficient information on retention of shares after vesting, as referred to in point 8.15 of this Code; •Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; •A description of the main characteristics of supplementary pension or early retirement schemes for directors. •The remuneration report can not contain confidential information in a commercial view.		
8.4. Remuneration report should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, *inter alia*, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	Not applicable	See section 8.1.
8.5. Remuneration report should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing	Not applicable	See section 8.1

and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the coming financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component of remuneration. The non-variable component of remuneration should be sufficient to allow the company not to pay variable	Not applicable	See section 8.1

components of remuneration when activity's results evaluation criteria are not met.		
8.7. Award of variable components of remuneration should be subject to predetermined and measurable activity's results evaluation criteria.	Not applicable	See section 8.1
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	See section 8.1
8.9. Contractual arrangements with executive or members of management bodies should include provision which permits the company to reclaim variable components of remuneration that was awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	See section 8.1
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Not applicable	See section 8.1
8.11. Termination payments should not be paid if the termination is due to inadequate activity's results	Not applicable	See section 8.1
8.12. The information on preparatory and decision-making processes, during which a remuneration policy of directors is being established, should also be disclosed. Information should include data, if applicable, on authorization and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	See section 8.1
8.13. Shares should not vest for at least three years after their award in case the remuneration is share-based.	Not applicable	Heads of the bank are not rewarded with shares, share options or the other rights to acquire shares for the work
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable activity's results evaluated criteria.	Not applicable	See section 8.13.
8.15. After vesting, directors should retain a particular number of shares, until the end of their mandate, subject to the need to finance any costs related to	Not applicable	See section 8.13.

acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	See section 8.13.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general shareholders' meetings and make considered use of their votes regarding directors' remuneration.	No	The meeting for the work in the Supervisory Council can allocate annual bonuses (tantiemes). Determination of the remunerations for the members of the Board under the structure of the bank's bodies is not the priority of the shareholders' meeting.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See section 8.1
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	See section 8.13.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this	Not applicable	See section 8.13.

article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	See section 8.13.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	Employees of the bank or subsidiaries are not remunerated for the work with shares or share options or the other rights to acquire shares.
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not applicable	See section 8.22.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The interest holders' rights are respected. The Bank obeys the agreements with the suppliers, creditors, and clients. The relations with employees are regulated by the labour contracts. The employees can provide offers in the filed improvement of work conditions. The Bank's employees participate in the Bank's authorized capital.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The information provided in this section is disclosed in the annual and interim reports and, also, in securities issue prospects.
10.2. It is recommended to disclose the consolidated results of the whole group to which the company belongs when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes/No Yes	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and annual reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The Bank's firm of auditors during the accounting year provided non-audit services to the bank: organizational teaching, consultations and mediation in order to recover the fee to the income source form USA.

Chairman of the Bank's Board Algirdas Butkus

25 February 2010