ŠIAULIŲ BANKAS

RESPONSIBLE PERSONS' CONFIRMATION

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

Deputy Chief Executive Officer	Donatas Savickas
Chief Financial Officer	Vita Adomaitytė

27 February 2009

FINANCIAL STATEMENTS

31 DECEMBER 2008

TILŽĖS ST. 149, LT-76348 ŠIAULIAI
TEL.(41) 595607, FAX (41) 430774
e-mail info@sb.lt
www.sb.lt

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

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THE GROUP'S AND BANK'S BALANCE SHEET

		31 December 2008		31 December 2007	
	Notes	**Group**	**Bank**	**Group**	**Bank**
Assets					
Cash and cash equivalents	2	142 939	142 927	230 540	230 528
Due from other banks	3	1 220	1 220	593	593
Trading securities	6	3 689	714	18 664	9 539
Loans to customers	4	1 492 164	1 676 691	1 387 434	1 540 637
Finance lease receivables	5	129 036	-	121 605	-
Investment securities:					
- available-for-sale	6	48 485	21 447	36 196	13 726
- held-to-maturity	6	150 012	147 038	164 163	164 163
Investments in subsidiaries	6	-	2 135	-	2 135
Intangible assets		791	780	1 251	1 227
Tangible fixed assets		56 359	46 290	51 279	45 204
Prepaid income tax		1 002	-	2 043	-
Other assets	7	54 192	10 558	37 795	5 394
Total assets		**2 079 889**	**2 049 800**	**2 051 563**	**2 013 146**
Liabilities					
Due to other banks and financial institutions	8	445 835	445 945	463 595	454 671
Due to customers	9	1 259 750	1 259 755	1 217 008	1 216 942
Special and lending funds	10	30 699	30 699	36 550	36 092
Debt securities in issue	11	24 997	24 997	28 550	28 550
Derivative financial instruments		-	-	119	119
Current income tax liabilities		561	544	1 156	930
Deferred income tax liabilities		120	120	225	225
Other liabilities	12	14 028	4 784	15 154	6 000
Total liabilities		**1 784 990**	**1 766 844**	**1 762 357**	**1 743 529**
Equity					
Capital and reserves attributable to equity holders of the parent					
Share capital	13	180 358	180 358	161 033	161 033
Share premium		45 681	45 681	65 006	65 006
Reserve capital		2 611	2 611	2 611	2 611
Statutory reserve		3 683	3 405	1 743	1 445
Financial assets revaluation reserve		(591)	(591)	360	360
Retained earnings		58 190	51 492	49 824	39 162
		289 932	283 076	280 577	269 617
Minority interest	14	4967	-	8 629	-
Total equity		294 899	282 956	289 206	269 617
Total liabilities and equity		**2 079 889**	**2 049 800**	**2 051 563**	**2 013 146**

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

Deputy Chairman of the Bord — Donatas Savickas

Chief Financial Officer — Vita Adomaitytė

27 February 2009

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

THE GROUP'S AND BANK'S INCOME STATEMENT

	Notes	31 December 2008		31 December 2007	
		Group	**Bank**	**Group**	**Bank**
Interest and similar income	15	140 234	134 457	101 348	94 570
Interest expense and similar charges	15	(94 415)	(93 870)	(57 423)	(56 996)
Net interest income		**45 819**	**40 587**	**43 925**	**37 574**
Fee and commission income	16	14 887	15 221	14 438	14 840
Fee and commission expense	16	(5 366)	(5 247)	(5 499)	(5 404)
Net fee and commission income		**9 521**	**9 974**	**8 939**	**9 436**
Impairment charge for credit losses		(6 452)	(5 598)	(5 918)	(5 108)
Gain on disposal of subsidiary		-	-	8 525	8 421
Net gain on operations with securities		6 009	(1 934)	4 329	532
Net foreign exchange gain		2 582	2 571	3 435	3 444
Gain on disposal of assets		249	8	2 115	26
Other income		1 141	559	2 580	499
Administrative and other operating expenses	17	(41 078)	(35 831)	(38 412)	(32 737)
Operating profit		**17 791**	**10 336**	**29 518**	**22 087**
Dividends from investments in subsidiaries		-	8 797	-	7 114
Profit before income tax		17 791	19 133	29 518	29 201
Income tax expense		(1 823)	(1 622)	(3 057)	(1 953)
Profit for the year		**15 968**	**17 511**	**26 461**	**27 248**
Profit is attributable to:					
Equity holders of the Bank		13 527	17 511	24 402	27 248
Minority interest	14	2 441	-	2 059	-
Profit for the year		**15 968**	**17 511**	**26 461**	**27 248**
Basic and diluted earnings per share, net (in LTL per share)	13	0,08	0,10	0,19	0,21

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Deputy Chairman of the Bord — Donatas Savickas

Chief Financial Officer — Vita Adomaitytė

27 February 2009

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

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

	From 10 to 12 month 2008		From 10 to 12 month 2007	
	Group	**Bank**	**Group**	**Bank**
Interest and similar income	36 582	25 255	31 565	29 709
Interest expense and similar charges	(25 541)	(25 443)	(18 136)	(18 027)
Net interest income	**11 041**	**9 812**	**13 429**	**11 682**
Fee and commission income	4 101	4 189	3 977	4 106
Fee and commission expense	(1 342)	(1 304)	(1 482)	(1 457)
Net fee and commission income	**2 759**	**2 885**	**2 495**	**2 649**
Impairment charge for credit losses	(2 718)	(2 239)	(3 443)	(3 200)
Gain on disposal of subsidiary	-	-	-	-
Net gain on operations with securities	(1 311)	(1 301)	128	(162)
Net foreign exchange gain	439	422	920	921
Gain on disposal of assets	80	3	(347)	5
Other income	254	131	688	125
Administrative and other operating expenses	(9 993)	(8 779)	(10 286)	(9 026)
Operating profit	**551**	**934**	**3 584**	**2 994**
Dividends from investments in subsidiaries	-	-	-	-
Profit before income tax	551	934	3 584	2 994
Income tax expense	(893)	(839)	4	51
Profit for the year	**(342)**	**95**	**3 588**	**3 045**
Profit is attributable to:				
Equity holders of the Bank	(35)	95	3 529	3 045
Minority interest	(307)	-	59	-
Profit for the year	**(342)**	**95**	**3 588**	**3 045**

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

	Notes	31 December 2008		31 December 2007	
		Group	Bank	Group	Bank
Operating activities					
Interest received		138 355	132 578	97 145	90 367
Interest paid		(90 779)	(90 234)	(50 004)	(49 577)
Cash received from previously written-off loans		195	82	518	442
Net cash received from operations in foreign currency		2 582	2 692	1 991	2 019
Net cash received from operations in securities		(1 261)	(1 289)	1 860	172
Net cash received from service and commission fees		9 521	9 974	8 939	9 436
Salaries and related payments to and on behalf of employees		(25 088)	(21 936)	(20 745)	(17 908)
Other receipts		1 390	567	616	758
Other payments		(20 221)	(15 401)	(19 137)	(13 934)
Net cash flow from operating activities before change in short-term assets and liabilities		**14 694**	**17 033**	**21 183**	**21 775**
(Increase) decrease in assets:					
(Increase) in loans to credit and financial institutions		2 665	(15 062)	10 736	10 656
(Increase) in loans to customers		(117 302)	(121 688)	(526 072)	(548 618)
Decrease in trading securities		14 193	8 052	(16 670)	2 916
(Increase) decrease in other assets		(14 352)	(5 564)	(5 855)	(653)
Change in assets		**(114 796)**	**(134 262)**	**(537 861)**	**(535 699)**
Increase in liabilities					
Increase in liabilities to credit and financial institutions		(51 257)	(51 333)	290 596	286 670
Increase in deposits, special and leanding funds		75 752	70 484	276 103	272 940
Increase in other liabilities		(880)	5 515	(4 279)	(1 894)
Change in liabilities		**23 615**	**24 666**	**562 420**	**557 716**
Net cash flow from/(used in) operating activities before tax		(76 487)	(92 563)	45 742	43 792
Income tax paid		(1 559)	(2 057)	(9 523)	(1 591)
Net cash flow from operating activities		**(78 046)**	**(94 620)**	**36 219**	**42 201**
Investing activities					
Purchase of tangible and intangible fixed assets		(14 525)	(9 500)	(14 892)	(12 133)
Disposal of tangible and intangible fixed assets		6 498	5 970	11 042	276
Acquisition of available-for-sale securities		(34 060)	(29 491)	(15 186)	(15 186)
Disposal of available-for-sale securities		20 764	20 764	2 411	2 411
Acquisition of held to maturity securities		(14 492)	(11 518)	(20 314)	(20 314)
Proceeds from redemption of held to maturity securities		28 655	28 655	18 621	18 621
Proceeds from sale of subsidiary		-	-	12 940	12 940
Dividends received		8 040	8 912	2 355	7 360
Net cash used in investing activities		**880**	**13 792**	**(3 023)**	**(6 025)**
Financing activities					
Increase in share capital		-	-	92 000	92 000
Dividends paid		(3 220)	(3 220)	(16 412)	(2 183)
Payment to minority shareholders		(3 662)	-	(574)	-
Debt securities issued		55 710	55 710	30 208	30 208
Debt securities repurchased and redeemed		(59 263)	(59 263)	(47 219)	(47 219)
Net cash flow from financing activities		**(10 435)**	**(6 773)**	**75 786**	**72 806**
Net increase in cash and cash equivalents		**(87 601)**	**(87 601)**	**108 982**	**108 982**
Cash and cash equivalents at 1 January		**230 540**	**230 528**	**121 558**	**121 546**
Cash and cash equivalents at 31 December	2	**142 939**	**142 927**	**230 540**	**230 528**

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

Deputy Chairman of the Bord — Donatas Savickas

Chief Financial Officer — Vita Adomaitytė

27 February 2009

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

THE GROUP'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Bank							
	Share capital	Share premium	Reserve capital	Statutory reserve and other reserve	Retained earnings	Total:	Minority interest	Total equity
31 December 2006	109 039	25 000	2 611	927	28 419	165 996	21 373	187 369
Dividends	-	-	-	-	(2 181)	(2 181)	-	(2 181)
Dividends to minority	-	-	-	-	-	-	(14 229)	(14 229)
Formation of statutory reserve	-	-	-	816	(816)	-	-	
Bonus issue of share capital	11 994	(11 994)	-	-	-	-	-	-
Issue of share capital	40 000	52 000	-	-	-	92 000	-	92 000
Financial assets revaluation reserve	-	-	-	436	-	436	-	436
Recognition of deferred income tax	-	-	-	(76)	-	(76)	-	(76)
Decrease in share capital of minority shareholders in subsidiaries	-	-	-	-	-	-	(574)	(574)
Profit for the year	-	-	-	-	24 402	24 402	2 059	26 461
31 December 2007	161 033	65 006	2 611	2 103	49 824	280 577	8 629	289 206
Dividends	-	-	-	-	(3 221)	(3 221)	-	(3 221)
Dividends to minority	-	-	-	-	-	-	(6 103)	(6 103)
Financial assets revaluation reserv	-	-	-	(1 007)	-	(1 007)	-	(1 007)
Recognition of deferred income tax	-	-	-	56	-	56	-	56
Formation of statutory reserve	-	-	-	1 940	(1 940)	-	-	-
Bonus issue of share capital	19 325	(19 325)	-	-	-	-	-	-
Profit for the year	-	-	-		13 527	13 527	2 441	15 968
31 December 2008	180 358	45 681	2 611	3 092	58 190	289 932	4 967	294 899

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Deputy Chairman of the Bord — Donatas Savickas

Chief Financial Officer — Vita Adomaitytė

27 February 2009

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total
31 December 2006	109 039	25 000	2 611	-	700	14 840	152 190
Dividends	-	-	-	-	-	(2 181)	(2 181)
Financial assets revaluation reserve	-	-	-	436	-	-	436
Recognition of deferred income tax	-	-	-	(76)	-	-	(76)
Formation of statutory reserve	-	-	-	-	745	(745)	-
Bonus issue of share capital	11 994	(11 994)	-	-	-	-	-
Issue of share capital	40 000	52 000	-	-	-	-	92 000
Profit for the year	-	-	-	-	-	27 248	27 248
31 December 2007	161 033	65 006	2 611	360	1 445	39 162	269 617
Dividends	-	-	-	-	-	(3 221)	(3 221)
Formation of statutory reserve	-	-	-	-	1 960	(1 960)	-
Financial assets revaluation reserve	-	-	-	(1 007)	-	-	(1 007)
Recognition of deferred income tax	-	-	-	56	-	-	56
Bonus issue of share capital	19 325	(19 325)	-	-	-	-	-
Profit for the year	**-**	**-**	**-**	**-**	**-**	**17 511**	**17 511**
31 December 2008	180 358	45 681	2 611	(591)	3 405	51 492	282 956

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

Deputy Chairman of the Bord Donatas Savickas

Chief Financial Officer Vita Adomaitytė

27 February 2009

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As at 31 December 2008 the Bank had 522 employees (31 December 2007: 483). As at 31 December 2008 the Group had 578 employees (31 December 2007: 535 employees).

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

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

Basis of preparation

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

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

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

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

Financial risk management

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

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

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

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

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

NOTE 1 CREDIT INSITITUTION ACTIVITIES

The bank's Head Office is located in Šiauliai. The bank has 14 branches in Kelmė, Klaipėda, Kuršėnai, Mažeikiai, Palanga, Šilutė, Vilnius, Alytus, Utena, Kaunas, Druskininkai, Panevėžys, Šiauliai, Radviliškis and 45 client service centres.
As of 31st December 2008 the number of the bank's clients included 239 municipal companies and government companies, 26 state companies, 44 agricultural companys, 32 economic partnerships, 3.837 limited liability public companies, 1.639 private companies, 483 non-profit making and public sector companies and 909 other organizations as well as 116 527 natural entities.
As of 31st December 2007 and 31st December 2008 the bank controlled 3 subsidiaries: "Šiaulių banko lizingas" UAB (financial and operational leasing), "Šiaulių banko investicijų valdymas" UAB (investment management), "Šiaulių banko turto fondas" UAB (real estate management). The bank owns 100% of "Šiaulių banko lizingas" UAB (nominal share value – LTL 1,000 thou), 60.4% of "Šiaulių banko investicijų valdymas" UAB (nominal share value – LTL 604 thou), 53.1% of "Šiaulių banko turto fondas" UAB (nominal share value – LTL 531 thou).

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

NOTE 2 CASH AND CASH EQUIVALENTS

	Group 31 December 2008	Bank 31 December 2008	Group 31 December 2007	Bank 31 December 2007
Cash and other valuables	41 116	41 114	43 325	43 323
Mandatory reserves in national currency	46 822	46 822	74 488	74 488
Correspondent bank accounts	19 866	19 866	26 727	26 727
Banks time deposits	35 125	35 125	12 574	12 564
Correspondent account with central bank	-	-	73 426	73 426
Total:	**142 939**	**142 927**	**230 540**	**230 528**

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

NOTE 3 DUE FROM OTHER BANKS

	Group 31 December 2008	Bank 31 December 2008	Group 31 December 2007	Bank 31 December 2007
Due from other banks	1 220	1 220	593	593
Total:	**1 220**	**1 220**	**593**	**593**

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

NOTE 4 LOANS TO CUSTOMERS

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

Credit risk exposures relating to on-balance sheet assets are as follows:	31 December 2008		31 December 2007	
	Group	Bank	Group	Bank
Cash and balances with central banks	**101 813**	**101 813**	**187 215**	**187 205**
Loans and advances to banks	**1 220**	**1 220**	**593**	**593**
Loans and advances to customers:	**1 492 164**	**1 676 691**	**1 387 434**	**1 540 637**
Loans and advances to financial institutions	24 988	165 065	27 060	149 142
Loans to individuals (Retail)	284 427	268 290	284 460	274 677
Loans to business customers	1 182 749	1 243 336	1 075 914	1 116 818
Finance lease receivables	**129 036**	**-**	**121 605**	**-**
Trading assets:				
- Debt securities	-	-	12 309	6 363
- Equity securities	714	714	6 355	3 176
Derivative financial instruments	-	-	-	-
Securities available for sale				
- Debt securities	20 608	20 608	12 170	12 170
- Equity securities	27 766	728	24 026	1 556
Investment securities held to maturity				
- Debt securities	150 012	147 038	164 163	164 163
Other financial assets	28 856	3 148	14 236	611
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	68 115	68 115	89 809	89 809
Letters of credit	9 282	9 282	8 387	8 387
Loan commitments and other credit related liabilities	71 156	64 425	118 074	112 868
/31 December	**2 103 727**	**2 093 782**	**2 144 777**	**2 127 538**

Loans and advances are summarised as follows:

	31 December 2008		31 December 2007	
	Group	Bank	Group	Bank
Business customers	1 214 456	1 415 117	1 119 236	1 272 222
Individuals	287 048	270 692	285 744	275 585
Gross	**1 501 504**	**1 685 809**	**1 394 980**	**1 547 807**
Less: allowance for impairment	9 340	9 118	7 546	7 170
Net	**1 492 164**	**1 676 691**	**1 387 434**	**1 540 637**

	31 December 2008		31 December 2007	
	Group	Bank	Group	Bank
Neither past due nor impaired	1 317 667	1 506 108	1 254 916	1 410 771
Past due but not impaired	91 073	87 623	71 813	69 198
Impaired	92 764	92 078	68 251	67 838
Gross	**1 501 504**	**1 685 809**	**1 394 980**	**1 547 807**
Less: allowance for impairment	9 340	9 118	7 546	7 170
Net	**1 492 164**	**1 676 691**	**1 387 434**	**1 540 637**

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

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

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

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

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

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

Loans and advances past due but not impaired

	31 December 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Past due up to 30 days	69 094	66 843	59 874	58 145
Past due 30-60 days	16 713	15 936	7 981	7 330
Past due 60-90 days	5 266	4 844	3 958	3 723
Gross	**91 073**	**87 623**	**71 813**	**69 198**

Loans and advances impaired

	31 December 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Impaired loans	92 764	92 078	68 251	67 838
Fair value of collateral	246 739	246 739	186 913	186 913

NOTE 5 FINANCE LEASE RECEIVABLES

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

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

Finance lease receivables are summarised as follows:

	31 December 2008	31 December 2007
Business customers	86 667	88 605
Individuals	43 828	34 124
Gross	**130 495**	**122 729**

	31 December 2008	31 December 2007
Neither past due not impaired	103 343	98 434
Past due but not impaired	18 213	20 253
Impaired	8 939	4 042
Gross	**130 495**	**122 729**
Less: allowance for impairment	(1 459)	(1 124)
Net	**129 036**	**121 605**

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

	31 December 2008			31 December 2007		
	Individuals	**Business customers**	**Total**	**Individuals**	**Business customers**	**Total**
Finance lease receivables by sector:						
- transport vehicles	2 499	21 880	24 379	2 446	25 369	27 815
- residential real estate	87	22 047	22 134	88	20 569	20 657
- airplanes	-	11 668	11 668	-	11 756	11 756
- production equipment	233	15 807	16 040	164	14 987	15 151
- other equipment	8 155	8 968	17 123	21 287	10 681	31 968
- other assets	32 854	6 297	39 151	10 139	5 243	15 382
Total:	**43 828**	**86 667**	**130 495**	**34 124**	**88 605**	**122 729**

NOTE 6 SECURITIES

Trading securities	**31 December 2008**		**31 December 2007**	
	Group	**Bank**	**Group**	**Bank**
Debt securities:				
Private enterprise bonds	2 975	-	5 946	-
Government bonds	-	-	6 363	6 363
Equity securities:				
Listed	551	551	393	393
Unlisted	42	42	3 218	39
Units of funds	121	121	2 744	2 744
Total:	**3 689**	**714**	**18 664**	**9 539**

BREAKDOWN OF THE BANK‘S TRADING SECURITIES AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
AAA	-	-	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-	-	-
FROM A- TO A+	-	6 363	-	-	-	-	-	-
BELOW A-	-	-	-	-	-	-	-	-
NO RATING	-	-	-	-	593	432	121	2 744
TOTAL:	**-**	**6 363**	**-**	**-**	**593**	**432**	**121**	**2 744**

BREAKDOWN OF THE GROUP‘S TRADING SECURITIES AS AT 31 DECEMBER 2008 AND 31 DECEMBER 2007:

Rating	**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
AAA	-	-	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-	-	-
FROM A- TO A+	-	6 363	-	-	-	-	-	-
BELOW A-	-	-	-	-	-	-	-	-
NO RATING	-	-	2 975	5 946	593	3 611	121	2 744
Total:	**-**	**6 363**	**2 975**	**5 946**	**593**	**3 611**	**121**	**2 744**

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

Investment securities		**31 December 2008**		**31 December 2007**
	Group	**Bank**	**Group**	**Bank**
Bonds:				
Government bonds of the Republic of Lithuania	4 273	4 273		
Private enterprise bonds the Republic of Lithuania	16 335	16 335	-	-
Government bonds of foreign states	-	-	12 170	12 170
Securities available-for-sale:				
	27 553	515	22 985	515
Unlisted equity securities	213	213	1 041	1041
Units of funds				
Total :	**48 485**	**21 447**	**36 196**	**13 726**

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

Securities held-to-maturity		**31 December 2008**		**31 December 2007**
	Group	**Bank**	**Group**	**Bank**
Bonds of non-residents	6 477	6 477	8 358	8 358
Government bonds of foreign states	23 482	23 482	23 429	23 429
Government bonds of the Republic of Lithuania	115 424	115 424	120 728	120 728
Private enterprise bonds the Republic of Lithuania	4 629	1 655	11 648	11 648
Total investment securities:	**150 012**	**147 038**	**164 163**	**164 163**

Bank Rating		**Treasury bills**		**Municipality debt securities**		**Corporate debt securities**
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
AAA	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-
FROM A- TO A+	12 378	143 413	-		1 655	2 681
BELOW A-	125 795	-	733	744	6 477	6 532
NO RATING	-	-	-	-	-	10 793
Total:	**138 173**	**143 413**	**733**	**744**	**8 132**	**20 006**

Group Rating		**Treasury bills**		**Municipality debt securities**		**Corporate debt securities**
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
AAA	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-
FROM A- TO A+	12 378	143 413	-		1 655	2 681
BELOW A-	125 795	-	733	744	6 477	6 532
NO RATING	-	-	-	-	2 974	10 793
Total:	**138 173**	**143 413**	**733**	**744**	**11 106**	**20 006**

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

Investments in subsidiaries

Bank			31 December 2008			31 December 2007
	Share in equity	**Acquisition cost**	**Carrying value**	**Share in equity**	**Acquisition cost**	**Carrying value**
Investments in consolidated subsidiaries:						
ŠB Lizingas UAB	100,0%	1 000	1 000	100,0%	1 000	1 000
ŠB Investicijų Valdymas UAB	60.4%	604	604	60,4%	604	604
ŠB Turto Fondas UAB	53.1%	531	531	53,10%	531	531
Total :			**2 135**			**2 135**

"Pajūrio alka" UAB is sold in May 2007.

NOTE 7 OTHER ASSETS

		31 December 2008		31 December 2007
	Group	**Bank**	**Group**	**Bank**
Assets held for sale and real estate projects under development	13 283	-	14 236	-
Amounts receivable	28 856	3 148	14 118	611
Deferred expenses	3 509	3 401	3 378	3 337
Prepayments	4 045	802	4 699	1 021
Foreclosed assets	742	45	45	45
Other	3 757	3 162	1 319	380
Total:	**54 192**	**10 558**	**37 795**	**5 394**

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

		31 December 2008		31 December 2007
	Group	**Bank**	**Group**	**Bank**
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	17 771	17 881	89 938	90 014
Time deposits	96 802	96 802	65 437	65 437
Total correspondent accounts and deposits of other banks and financial institutions	**114 573**	**114 683**	**155 375**	**155 451**
Loans received:				
Loans from other banks	257 532	257 532	223 837	214 837
Loans from international organisations	73 730	73 730	84 383	84 383
Total loans received	**331 262**	**331 262**	**308 220**	**299 220**
Total:	**445 835**	**445 945**	**463 595**	**454 671**

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

NOTE 9 DUE TO CUSTOMERS

	31 December 2008		31 December 2007	
	Group	**Bankas**	**Group**	**Bankas**
Demand deposits:				
National government institutions	3 039	3 039	3 571	3 571
Local government institutions	26 039	26 039	24 579	24 579
Governmental and municipal companies	2 154	2 154	5 856	5 856
Corporate entities	88 397	88 416	136 984	137 022
Non-profit organisations	6 379	6 379	7 583	7 583
Individuals	98 914	98 914	117 239	117 239
Unallocated amounts due to customers	5 907	5 907	11 033	11 033
Total demand deposits:	**230 829**	**230 848**	**306 845**	**306 883**
Time deposits:				
National government institutions	646	646	15 378	15 378
Local government institutions	5 003	5 003	9 606	9 606
Governmental and municipality companies	85 951	85 951	86 499	86 499
Corporate entities	126 577	126 563	113 588	113 484
Non-profit organisations	4 738	4 738	4 875	4 875
Individuals	806 006	806 006	680 217	680 217
Total time deposits:	**1 028 921**	**1 028 907**	**910 163**	**910 059**
Total:	**1 259 750**	**1 259 755**	**1 217 008**	**1 216 942**

NOTE 10 SPECIAL AND LENDING FUNDS

	31 December 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Special funds	386	386	217	217
Lending funds	30 313	30 313	36 333	35 875
Total:	**30 699**	**30 699**	**36 550**	**36 092**

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

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

NOTE 11 DEBT SECURITIES IN ISSUE

	31 December 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Short term debenture bonds denominated in EUR with coupon rate of 7,5 per cent, maturity 27-05-2009	-	-	9 382	9 382
373 days bonds denominated in EUR with coupon rate of 7,5 per cent, maturity 27-05-2009	24 997	24 997	-	-
372 days bonds denominated in EUR with coupon rate of 4.6 per cent, maturity 17-05-2008			19 168	19 168
Total :	**24 997**	**24 997**	**28 550**	**28 550**

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

NOTE 12 OTHER LIABILITIES

	31 December 2008		31 December 2007	
	Group	Bank	Group	Bank
Accrued charges	4 113	3 696	4 922	4 422
Deferred income	1 646	485	1 636	437
Advances received from the buyers of assets	2 016	-	2 366	-
Amounts payable for finance lease agreements	3 845	-	4 977	-
Payable dividends	2 408	603	1 253	1 141
Other				
Total:	**14 028**	**4 784**	**15 154**	**6 000**

NOTE 13 SHARE CAPITAL

As at 31 December 2008, the Bank’s share capital comprised 180 357 533 ordinary registered shares with par value of LTL 1 each.
A resolution to increase the bank’s authorized capital by LTL 19.324.021 and to issue the same number of ordinary registered shares with the par value of LTL1 each was made during the General Shareholders’ Meeting of Šiaulių bankas AB held on March 27th 2007. On 14 May 2008, the Bank has registered the increase of the Bank’s authorised share capital.
As of 31 December 2008, the shareholders holding over 5% of the Bank’s shares with voting rights are listed in the table below:

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

Another 17 shareholders had less than 5% but more than 1% of the Bank’s share capital. The remaining shareholders on an individual basis had less than 1% of the Bank’s shares and voting rights.

Seven shareholders of the Bank – European Bank for Reconstruction and Development, Prekybos Namai Aiva UAB, Mintaka UAB, Alita AB, Algirdas Butkus, Gintaras Kateiva and Arvydas Salda – acting jointly in accordance with the Agreement of Shareholders, together with related persons at the end of the year held 37,92 per cent of the Bank‘s shares and voting rights. Based on its Resolution No. 103 dated 23 June 2005, the Bank of Lithuania gave its consent for this group of shareholders to acquire a qualified share of the authorised share capital and voting rights.

As at 31 December 2008, the Bank had 3 549 shareholder (31 December 2007- 3 495).

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

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

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

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

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

Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period. The Group and the Bank have no dilutive potential ordinary shares and therefore diluted earnings per share are the same as basic earnings per share.

Bank	**31 December 2008**	**31 December 2007**
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	17 511	27 248
Weighted average number of issued shares (thousand of shares)	180 358	131 473
Earnings per share (in LTL per share)	**0,10**	**0,21**

Group	**31 December 2008**	**31 December 2007**
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	13 527	24 402
Weighted average number of issued shares (thousand of shares)	180 358	131 473
Earnings per share (in LTL per share)	**0,08**	**0,19**

NOTE 14 MINORITY INTEREST

	31 December 2008	**31 December 2007**
	Group	**Group**
Balance at 1 January	**8 629**	**21 373**
Profit for the accounting period	2 441	2 059
Effect of dividends paid	(6 103)	(14 229)
Increase (decrease) in minority interest	-	(574)
Balance at 31 December	**4 967**	**8 629**

NOTE 15 NET INTEREST INCOME

		31 December 2008		**31 December 2007**
	Group	**Bank**	**Group**	**Bank**
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	6 468	14 491	4 274	8 615
on loans to customers	111 349	111 389	78 717	78 159
on debt securities	9 053	8 577	8 029	7 796
on finance leases	13 364	-	10 328	-
Total interest income	**140 234**	**134 457**	**101 348**	**94 570**
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(23 976)	(23 431)	(15 373)	(14 944)
on customer deposits and other repayable funds	(62 652)	(62 652)	(35 463)	(35 465)
on debt securities issued	(1 679)	(1 679)	(1 551)	(1 551)
Compulsory insurance of deposits	(6 108)	(6 108)	(5 036)	(5 036)
Total interest expense	**(94 415)**	**(93 870)**	**(57 423)**	**(56 996)**
Net interest income	**45 819**	**40 587**	**44 218**	**37 574**

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

NOTE 16 NET FEE AND COMMISSION INCOME

		31 December 2008		31 December 2007
	Group	**Bank**	**Group**	**Bank**
Fee and commission income:				
for money transfer operations	8 364	8 510	8 496	8 631
for payment card services	2 495	2 495	2 042	2 047
for base currency exchange	1 568	1 568	1 270	1 272
for operations with securities	278	278	671	671
	2 182	2 370	1 959	2 219
Total fee and commission income	**14 887**	**15 221**	**14 438**	**14 840**
Fee and commission expense:				
for payment card services	(3 403)	(3 403)	(3 399)	(3 399)
for money transfer operations	(1 726)	(1 655)	(1 562)	(1 561)
for operations with securities	(171)	(171)	(410)	(410)
for base currency exchange	(4)	(4)	(4)	(4)
other fee and commission expenses	(62)	(14)	(124)	(30)
Total fee and commission expense	**(5 366)**	**(5 247)**	**(5 499)**	**(5 404)**
Net fee and commission income	**9 521**	**9 974**	**8 939**	**9 436**

NOTE 17 ADMINISTRATIVE AND OTHER OPARATING EXPENSES

		31 December 2008		31 December 2007
	Group	**Bank**	**Group**	**Bank**
Salaries, social security and other related expenses	(24 063)	(20 992)	(22 757)	(19 799)
Rent and maintenance of premises	(4 053)	(4 021)	(4 041)	(3 097)
Office equipment maintenance	(985)	(980)	(769)	(752)
Depreciation of fixed tangible assets	(4 018)	(3 197)	(3 494)	(2 664)
Amortisation of intangible assets	(596)	(579)	(654)	(617)
Transportation, post and communications expenses	(2 137)	(2 047)	(2 032)	(1 669)
Real estate tax and other taxes	(298)	(213)	(918)	(680)
Advertising and marketing expenses	(517)	(517)	(926)	(757)
Training and business trip expenses	(182)	(176)	(265)	(183)
Charity	(219)	(186)	(329)	(292)
Service organisation expenses	(540)	(499)	(461)	(381)
Other operating expenses	(3 470)	(2 424)	(1 766)	(1 846)
Total	**(41 078)**	**(35 831)**	**(38 412)**	**(32 737)**

NOTE 18 RELATED-PARTY TRANSACTIONS

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

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

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

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

The year-end balances of loans granted to and deposits accepted from the Bank's related parties, except for subsidiaries, 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 2008	31 December 2007	2008	2007	31 December 2008	31 December 2007	2008	2007
Members of the Council and the Board	4 503	3 058	7,16	4,18	2 892	3 204	8,65	6,55
Other related parties (excluding subsidiaries of the Bank)	4 962	1 750	4,09	2,37	157 216	51 725	7,46	6,80

Transactions with EBRD:

The Bank received a syndicated loan from the EBRD with its balance as at 31 December 2008 (12-31-2007) amounting to EUR 21 million, of which EBRD's share as at 31 December 2008 was LTL 30 372 thousand.(2007 was LTL 34,804 thousand). Gross loan of EBRD as at 31 December 2008 was LTL 73 730 thousand (2007: LTL 84 383 thousand). Interest and other expenses related to the loan during twelve months 2008 amounted to LTL 5 189 thousand (31-12-2007: LTL 3 845 thousand).

Balances of transactions with the subsidiaries are given below:

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	31 December 2008	31 December 2007	2008	2007	31 December 2008	31 December 2007	2008	2007
Non-financial institutions	19	38	0,00	0,00	64 569	46 694	7,59	5,93
Financial institutions	110	76	0,00	0,00	140 077	122 082	7,14	5,10

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

Assets	**31 December 2008**	**31 December 2007**
Demand deposits		-
Loans	204 646	168 776
Debt securities	-	-
Equity securities	-	-
Dividends receivable	-	-
Other assets	44	41
Liabilities and shareholders' equity		
Demand deposits	129	114
Loans	-	-
Debt securities	-	-
Other liabilities	-	-
Bank's investment	2 135	2 135

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

Income and expenses arising from transactions with subsidiaries:

Income	**31 December 2008**	**31 December 2007**
Interest	11 403	6 017
Commission income	444	473
Income from foreign exchange operations	15	31
Dividends	8 797	7 114
Other income	225	295
Expenses		
Interest	-	2
Commission charges	-	-
Operating expenses	36	28

NOTE 19 CAPITAL MANAGEMENT

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

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

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

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

Additional capital need for credit, operational, market and liquidity risk is subject to the regular stress-testing and Internal Capital Adequacy Assessment processing.
The Group's regulatory capital is divided into two tiers:
1) Tier 1 capital consists of the share capital, share premium, reserve capital, retained earnings of the previous financial year and less the intangible assets,
2) Tier 2 capital consists of the revaluation reserves of the fixed and financial assets, other reserves.

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

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

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

	31 December 2008		**31 December 2007**	
	Group	**Bank**	**Group**	**Bank**
Tier 1 capital				
Ordinary shares	180 358	180 358	161 033	161 033
Share premium	45 681	45 681	65 006	65 006
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	44 663	33 981	25 422	11 914
Other reserves	3 683	3 405	1 667	1 369
Less:Financial assets revaluation reserve	(591)	(591)	-	-
Less: Intangible assets	(791)	(780)	(1 251)	(1 227)
Total Tier 1 capital	**275 614**	**264 665**	**254 488**	**240 706**

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

Tier 2 capital	-	-	371	371
Financial assets revaluation reserve	**-**	**-**	**371**	**371**
Total Tier 2 capital				
Less Investments in other credit or financial institutions	-	(900)	-	(900)
Total capital	**275 614**	**263 765**	**254 859**	**240 177**
Capital requirement:				
Standardised approach credit risk	127 437	129 164	116 398	109 920
Traded debt instruments	500	241	702	422
Equities	3 407	170	3 644	567
Foreign exchange risk exposure	3 254	2 164	9 702	9 892
Operational risk by Basic indicator's method	10 857	8 110	9 514	6 718
Total capital requirement:	**145 455**	**139 849**	**139 960**	**127 519**
Capital ratio, %	**15,16**	**15,09**	**14,57**	**15,07**

NOTE 20 LIQUIDITY

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

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

The Group controls liquidity risk through established ratios and limits. For the purpose of managing liquidity risk, in addition to the liquidity ratio set by the Bank of Lithuania, which as at 31 December 2008 the Group's ratio was 32,15 (31-12-2007: 39,48) and the Bank's 38,76 (31-12-2007: 44,05), the Group uses the ratio of liquid assets to the total assets. Liquid assets used in calculation of the above ratio represents funds held at banks and financial institutions with maturity of less than three months. As at 31 December 2008 the above Group's ratio was 14,18 per cent (31-12-2007: 20,40 per cent), and the Banks – 14,83 (31-12-2007: 20,80). The recommended limit ot this ratio is 20 per cent.

To follow the solvency status the Group and the Bank monitors availability of liquid funds needed to cover liabilities with a maturity of less than 30 days. Based on the Group's liquidity management policy this ratio (i.e. liquid funds / liabilities of less than 30 days) should not be lower than 100 per cent. As at 31 December 2008 the above ratio on the Group's and the Bank's level was 80,71 (31-12-2007: 107,50 per cent) per cent and 80,70 (31-12-2007: 110,14 per cent) per cent respectively.

The Group and the Bank also calculates 3-months liquidity ratio to monitor longer term liquidity risk. Based on the Group's liquidity risk management policy the lowest recommended limit of this ratio is 36 per cent. As at 31 December 2008 the Group's and the Bank's ratio was 40,08 per cent (31-12-2007: 48,27 per cent) and 59,34 per cent (31-12-2007: 58,72 per cent) respectively.

The tables below disclose the assets and liabilities as of December 31st 2008 according to their remaining maturity defined in the agreements. However, the real maturity of the particular types of assets and liabilities may be longer as, for example a portion of loans and deposits is extended and thus the real repayment terms of short-term loans and demand deposits move forward.

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

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

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

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	137 869	182 958	106 678	176 370	246 624	559 571	572 238	97 581	2 079 889
Total liabilities and shareholders' equity	266 546	359 188	304 536	315 563	270 238	165 939	101 024	296 855	2 079 889
Net liquidity gap	(128 677)	(176230)	(197858)	(139193)	(23 614)	393 632	471 214	(199 274)	-

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

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

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	136 508	323 227	148 779	157 720	198 915	493 314	535 975	55 362	2 049 800
Total liabilities and shareholders' equity	264 599	353 252	295 227	315 270	269 754	165 786	101 020	284 892	2 049 800
Net liquidity gap	(128 091)	(30 025)	(146448)	(157550)	(70 839)	327 528	434 955	(229 530)	-

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total:
Total assets	232 201	180 793	174 093	157 590	190 589	484 606	539 191	54 083	2 013 146
Total liabilities and shareholders' equity	397 792	241 343	224 031	220 495	366 200	186 682	105 437	271 166	2 013 146
Net liquidity gap	(165 591)	(60 550)	(49 938)	(62 905)	(175611)	297 924	433 754	(217 083)	

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

Non-derivative cash flow

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

Group
31 December 2008

Liabilities	Maturity undefinided	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	86 659	32 219	123 178	186 236	51 327	479 619
Due to customers	-	516 507	282 684	454 295	30 923	391	1 284 800
Debt securities in issue	-	-	-	25 752	-	-	25 752
Special and lending fund	-	1 720	228	2 703	27 121	3 447	35 219
Total liabilities (contractual maturity dates)	**-**	**604 886**	**315 131**	**605 928**	**244 280**	**55 165**	**1 825 390**

Group
31 December 2007

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

Bank
31 December 2008

Liabilities	Maturity undefinided	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total:
Due to banks	-	86 769	23 152	123 178	186 236	51 327	470 662
Due to customers	-	516 512	282 684	454 295	30 923	391	1 284 805
Debt securities in issue	-	-	-	25 752	-	-	25 752
Special and lending fund	-	1 720	228	2 703	27 121	3 447	35 219
Total liabilities (contractual maturity dates)	**-**	**605 001**	**306 064**	**605 928**	**244 280**	**55 165**	**1 816 438**

Bank
31 December 2007

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

NOTE 21 MARKET RISK

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

Foreign exchange risk

The foreign exchange risk management is regulated by the Procedures for Foreign Exchange Risk Management. They include the list of types of sale and purchase transactions executed by the Group. Also they establish principles which help the Group to minimize the exposure to foreign exchange risk. The Group does not implement any operations which could cause open

currency positions expecting to earn due to the currency rate shift. The Bank's Board approves and reviews on a regular basis the maximum limits for open currency positions for the Bank's branches, subsidiaries and the Bank itself. The established limits are lower than those allowed by the Bank of Lithuania. The Bank's Treasury Department is responsible for the Group's compliance with the Procedures for Foreign Exchange Risk Management.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. The Bank also calculates Total open position (TOP), which is the higher of the separately added short and long positions. As at 31 December 2008 the TOP to capital ratio was: Group's – 1,52 % (31-12-2007: 1,36 %), Bank's – 0,44 % (31-12-2007: 1,40 %).

Sensitivity of foreign exchange risk

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

Currency	**Annual reasonable shift, 2009**	**Annual reasonable shift, 2008**
LVL	5%	1%
GBP	5%	1%
DKK	5%	1%
USD	10%	5%
SEK	5%	1%
Other currencies	8%	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:

	31 December 2008		**31 December 2007**	
Group	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollars weakening by 5%	310	310	16	16
GBP strengthening by 1%	20	20	9	9
DKK strengthening by 1%	19	19	6	6
SEK strengthening by 1%	7	7	4	4
LVL strengthening by 1%	6	6	4	4
Other strengthening by 3%	19	19	31	31
Total :	381	381	68	68

	31 December 2008		**31 December 2007**	
Bank	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollars weakening by 5%	6	6	16	16
GBP strengthening by 1%	20	20	9	9
DKK strengthening by 1%	19	19	4	4
SEK strengthening by 1%	7	7	4	4
LVL strengthening by 1%	6	6	4	4
Other strengthening by 3%	19	19	31	31
Total :	78	78	68	68

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

The presumable FX rate change creates acceptable impact on the Bank's profit and makes LTL 78 thousand in 2008 (2007: LTL 68 thousand) and the Group's annual profit and makes LTL 381 thousand in 2008 (2007: LTL 68 thousand) higher/lower impact on profit.

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

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	49 903	1 802	51 705	602 366	1 425 818	2 079 889
Liabilities and shareholder's equity	46 802	715	47 517	653 399	1 378 973	2 079 889
Net balance sheet position	3 101	1 087	4 188	(51 033)	46 845	-
Currency swaps	-	-	-	10 358	(10 358)	-
Net open position	**3 101**	**1 087**	**4 188**	**(40 675)**	**36 487**	**0**

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

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

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

	USD	Other currencies	Total currencies	EUR	LTL	Total:
Assets	46 865	1 802	48 667	615 997	1 385 136	2 049 800
Liabilities and shareholder's equity	46 802	715	47 517	653 399	1 348 884	2 049 800
Net balance sheet position	63	1 087	1 150	(37 402)	36 252	-
Currency swaps	-	-	-	10 358	(10 358)	-
Net open position	**63**	**1 087**	**1 150**	**(27 044)**	**25 894**	**0**

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

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

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

Interest rate risk

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

- the Bank observes the principle to avoid the speculation with future interest rates;
- the risk size is evaluated applying a pattern of interest rate gap (GAP);
- Planning and Financial Risk Department provides the information on regular basis to Risk Management Committee about compliance with relative gap limits and submits proposals to the Bank's Board regarding the establishment of interest rates for credits and deposits.

Sensitivity of interest rate risk

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

Group

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Tota:l
Total assets	317 917	432 844	654 394	145 790	255 963	272 981	2 079 889
Total liabilities and shareholder's equite	434 488	536 749	259 082	242 791	35 210	571 569	2 079 889
Net interest sensitivity gap at 31 December 2008	(116 571)	(103905)	395 312	(97 001)	220 753	(298 588)	-
Higher/lower impact on profit from balance sheet assets and liabilities	(1 117)	(866)	2 471	(243)	-	-	245

Group

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total:
Total assets	217 149	434 270	639 114	116 981	292 606	351 443	2 051 563
Total liabilities and shareholder's equite	351 672	417 799	238 358	260 860	60 562	722 312	2 051 563
Net interest sensitivity gap at 31 December 2007	(134 523)	16 471	400 756	(143 879)	232 044	(370 869)	
Higher/lower impact on profit from balance sheet assets and liabilities	(1 289)	137	2 505	(360)	-	-	993

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

Bank

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total:
Total assets	460 524	440 334	613 839	105 780	241 431	187 882	2 049 800
Total liabilities and shareholder's equite	434 617	527 749	259 082	242 791	35 210	550 351	2 049 800
Net interest sensitivity gap at 31 December 2008	25 907	(87 405)	354 757	(137 011)	206 221	(362 469)	-
Higher/lower impact on profit from balance sheet assets and liabilities	248	(728)	2 217	(343)	-	-	1 395

Bank

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

Operational risk

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

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

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

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

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

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

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

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

Stress tests

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

22 NOTE SEGMENT INFORMATION

Business segments

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

	Banking	**Leasing**	**Investment management**	**Real estate development**	**Elimina tions**	**Total Group**
Internal	11 403	(8 023)	(1763)	(1 617)	-	-
External	29 184	14 368	828	1 439	-	45 819
Net interest income	40 587	6 345	(935)	(178)	-	45 819
Internal	11 847	(8 465)	(1 764)	(1 618)	-	-
External	38 714	14 264	894	1 468	-	55 340
Net interest, fee and commissions income	**50 561**	**5 799**	**(870)**	**(150)**	**-**	**55 340**
Provision expenses	**(5 598)**	**(847)**	**5**	**(12)**	**-**	**(6 452)**
Internal	36	(208)	(24)	(29)	225	-
External	(32 091)	(2 668)	(647)	(1 058)	-	(36 464)
Operating expenses	**(32 055)**	**(2 876)**	**(671)**	**(1 087)**	**225**	**(36 464)**
Amortisation charges	**(579)**	**(14)**	**-**	**(3)**	**-**	**(596)**
Depreciation charges	**(3 197)**	**(737)**	**(20)**	**(64)**	**-**	**(4 018)**
Internal	9 037	(15)	-	-	(9 022)	-
External	964	704	4 058	4 255	-	9 981
Net other income	**10 001**	**689**	**4 058**	**4 255**	**(9 022)**	**9 981**
Profit before tax	19 133	2 014	2 502	2 939	(8 797)	17 791
Income tax	(1 622)	(354)	-	153	-	(1 823)
Profit per segment after tax	**17 511**	**1 660**	**2 502**	**3 092**	**(8 797)**	**15 968**
Minority interest	**-**	**-**	**(991)**	**(1 450)**	**-**	**(2 441)**
Profit for the year attributable to equity holders of the Bank	**17 511**	**1 660**	**1 511**	**1 642**	**(8 797)**	**13 527**
Total segment assets	**2 049 800**	**159 546**	**43 112**	**34 385**	**(206 954)**	**2 79 889**
Total segment liabilities	**1 766 844**	**156 654**	**39 199**	**27 112**	**(204 819)**	**1 784 990**
Net segment assets (shareholders' equity)	**282 956**	**2 892**	**3 913**	**7 273**	**(2 135)**	**294 899**

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

Below, there is a summary of major indicators for the main business segments of the Group included in the balance sheet as at 31 December 2007 and in the income statement for the year then ended:

	Banking	**Leasing**	**Investment management**	**Real estate development**	**Eliminations**	**Total Group**
Internal	6 015	(4 341)	(808)	(866)	-	-
External	36 595	10 948	179	1 239	-	48 961
Net interest income	42 610	6 607	(629)	373	-	48 961
Internal	6 488	(4 811)	(809)	(868)	-	-
External	45 558	10 861	240	1 241	-	57 900
Net interest, fee and commissions income	**52 046**	**6 050**	**(569)**	**373**	**-**	**57 900**
Provision expenses	**(5 108)**	**(950)**	**44**	**96**		**(5 918)**
Internal	36	(239)	(25)	(31)	259	-
External	(34 528)	(2 591)	(858)	(1 324)	-	(39 301)
Operating expenses	**(34 492)**	**(2 830)**	**(883)**	**(1 355)**	**259**	**(39 301)**
Amortisation charges	**(617)**	**(35)**	**-**	**(2)**	**-**	**(654)**
Depreciation charges	**(2 664)**	**(650)**	**(37)**	**(142)**	**-**	**(3 493)**
Internal	7 404	(24)	-	(7)	(7 373)	-
External	12 632	662	3 011	4 679	-	20 984
Net other income	**20 036**	**638**	**3 011**	**4 672**	**(7 373)**	**20 984**
Profit before tax	29 201	2 223	1 566	3 642	(7 114)	29 518
Income tax	(1 953)	(468)	(112)	(524)	-	(3 057)
Profit per segment after tax	**27 248**	**1 755**	**1 454**	**3 118**	**(7 114)**	**26 461**
Minority interest	**-**	**-**	**(576)**	**(1 483)**	**-**	**(2 059)**
Profit for the year attributable to equity holders of the Bank	**27 248**	**1 755**	**878**	**1 635**	**(7 114)**	**24 402**
Total segment assets	**2 013 146**	**143 412**	**29 428**	**37 469**	**(171 078,)**	**2 052 377**
Total segment liabilities	**1 743 529**	**140 480**	**26 817**	**21 288**	**(168 943)**	**1 763 171**
Net segment assets (shareholders' equity)	**269 617**	**2 932**	**2 611**	**16 181**	**(2 135)**	**289 206**