ŠIAULIŲ BANKAS AB
FINANCIAL STATEMENTS
31 DECEMBER 2006

CONTENTS

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Independent auditor's report

To the Shareholders of Šiaulių bankas AB

Report on the financial statements

We have audited the accompanying consolidated financial statements of Šiaulių bankas AB and its subsidiaries (the 'Group') and the financial statements of Šiaulių bankas AB (the 'Bank') set out in pages 30 - 71 which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement 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 2006 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.

Report on other legal and regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2006 set out on pages 5 – 29 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 2006.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
19 March 2007

AB ŠIAULIŲ BANKAS GROUP'S ANNUAL REPORT FOR THE YEAR 2006

During the year 2006, AB Šiaulių bankas and the enterprises belonging to the Group have been further expanding and developing in pursuit of their guiding mission – to promote the development of the domestic small and medium-sized business market, provide funding to projects of regional importance and improve the quality of the services rendered. Last year all financial indicators of AB Šiaulių bankas far surpassed any expectations as the Bank's operations were highly profitable. All subsidiaries of AB Šiaulių bankas Group have been actively involved in the activities aimed at implementing the business funding solutions of unconventional scale and expanding the range of banking products.

In 2006, Šiaulių bankas Group earned LTL 22.8 million in net profits, i.e., a tripling of the 2005. The Groups' assets increased by one third and reached LTL 1.39 billion. The major share of the Bank's assets is represented by its loan portfolio, the volumes whereof, during the year reviewed increased by 40 percent. Net interest revenues jumped up by 37 percent. As of 31 December 2006, the equity of Šiaulių bankas Group shareholders was valued at LTL 187 million representing an increase of 82 percent.

In 2006, the net profit of AB Šiaulių bankas stood at LTL 13.7 million which was an increase of 68 percent compared to the previous year. The customer loans portfolio increased, against the year 2005, by 36 percent – total LTL 898.62 million was granted in loans, and the value of bank deposits increased by nearly a quarter and was reported to account for LTL 921.5 million. The outcome of the year 2006 allows for a pretty optimistic estimate for the year 2007 since the Bank has outlined an ambitious plan to double its profits to LTL 26 million.

At the close of 2006, nearly 100,000 customers availed themselves of the services rendered by AB Šiaulių bankas, including some 7,000 corporate customers. The Bank's authorised capital, reported at the beginning of the accounting year equal to LTL 74.7 million, near the period's end increased to LTL 109 million. The shareholders equity during the same period increased by 69 percent up to LTL 152.2 million, and the number of shareholders reached a Bank record of 2,539. The major shareholder of AB Šiaulių bankas – the European Bank for Reconstruction and Development (EBRD) currently holds 16.06 percent of the Bank's authorised capital. AB Šiaulių bankas further remains one of the major holders of domestic capital with 71 percent of its authorised capital owned by Lithuanian residents, companies and private individuals.

The shares of AB Šiaulių bankas are quoted, starting from 11 December 2006, on the Main List of the Vilnius Stock Exchange (VSE). During the accounting period no shares of the parent company – AB Šiaulių bankas – had been owned by the Bank itself, its subsidiary companies or persons acting on behalf of those companies. In 2006, AB Šiaulių bankas did not acquire or transfer to other persons any of its own shares.

AB Šiaulių bankas currently controls its four subsidiaries: UAB "Šiaulių banko lizingas" (SB Leasing), UAB "Šiaulių banko investicijų valdymas" (SB Investment Mangement), UAB "Šiaulių banko turto fondas" (SB Assets Fund) and UAB "Pajūrio alka". In 2006, UAB "Šiaulių banko lizingas" (assets – LTL 89.053 million, a wholly-owned Bank's subsidiary) earned LTL 1.2 million in net profit which represented an annual increase of LTL 333,000. As compared to 2005, the leasing portfolio increased by 25 percent. In 2007 UAB "Šiaulių banko lizingas" is forecasting its net profit earnings of LTL 1.5 million. UAB "Šiaulių banko turto fondas" (assets – LTL 45.7 million, 53.1 percent owned by the Bank) having executed most of its new projects in Kaunas, Klaipėda and Druskininkai, earned LTL 21.5 million in net profits. The net profit projection for the year 2007 is an ambitious figure of LTL 1.5 million. UAB "Šiaulių banko investicijų valdymas" with assets of LTL 14.44 million, (60.4 % of the capital owned by the Bank) earned a net profit of LTL 0.4 million in 2006. In 2007, UAB "Šiaulių banko investicijų valdymas" intends to continue investing in medium-sized enterprises, participate in small and medium-sized business funding projects and estimates that its activities will generate in excess of LTL 1 million in net profits. The principal activities of UAB "Pajūrio alka" (assets – LTL 6.06 million, 99.9 percent owned by the Bank) include provision of accommodation services and rent of premises. Sale of the latter subsidiary is on the Bank's agenda in 2007. One more subsidiary of the Bank – UAB „Šiaulių banko faktoringas" (factoring services) established in 2002, is undergoing the final proceedings of its liquidation and all services provided thereby have been taken over by the parent company AB Šiaulių bankas.

In 2006, considerable attention in AB Šiaulių bankas was devoted to upgrading the information systems employed and the introduction of modern technologies: the establishment of the information terminal network in the territorial branches of the Bank is well under the way, first ATMs of new quality standards have been installed and started operating in major Lithuanian cities. The growth in the number of users of the Bank's internet banking system "SB linija" was remarkably fast and consistent throughout the year. On 31

December 2006, 13.930 customers were recorded as regular users of "SB linija“, i.e., 71 percent more than at the same time in 2005. Last year more than 60 percent of all payments have been executed through “SB linija”. In 2006, the number of payment cards issued by the Bank exceeded 38.000 – 52 percent more than in 2005. The number of the users of the telephone banking service “SMS bank” has sky-rocketed having increased by 178 percent.

The risks inherent in the activities of Šiaulių bankas Group have been subject to efficient management in compliance with the requirements of the Bank of Lithuania and the provisions of the “Operational Risk Management Policy of the Bank” approved by the Board of the Bank. In view of the specificity and the operations of AB Šiaulių bankas and its subsidiaries, the above policy has distinguished the following main types of risk: credit, market, liquidity, capital and operational risk and provided for the management thereof. Transparent and consistent performance of the Bank, its efficient risk management policy, outstanding loan portfolio and liquidity ratios have been duly appreciated by the international rating agency Moody’s. In June 2006, Moody’s assigned to AB Šiaulių bankas a long-term Ba3 deposit rating, a short-term NP deposit rating, a financial strength rating D-, and assessed the long-term rating prospects as stable. In February 2007, Moody’s upgraded the long-term deposit and the financial strength ratings up to, respectively, Ba2 and D.

AB Šiaulių bankas operates 49 customer service divisions in 29 cities and towns in Lithuania. Four of these divisions (in Biržai, Ukmergė, Jonava and one more additional division in Šiauliai) were opened in the course of 2006. Although the development of the principal framework of the service network in Lithuania is nearly complete, with the view of the further optimisation of customer servicing, the Bank anticipates opening several other customer service divisions this year.

According to the data of 31 December 2006, AB Šiaulių bankas had 442 employees, i.e., 43 new employees joined its staff since 2005. At the close of the accounting period the Šiaulių bankas Group was employing 515 persons (473 in 2005). Statistically, 62 percent of the staff members were University graduates, with the 31-40 year old age group accounting for the largest share. Undoubtedly, good performance of the Bank has been largely facilitated by the devoted work of young and highly professional staff members throughout Lithuania.

The priority area targeted by AB Šiaulių bankas is small and medium-sized businesses that in 2006 accounted for nearly 77 percent of the Bank’s loan portfolio. Last year, AB Šiaulių bankas was awarded the tender launched by the Government of the Republic of Lithuania for the provisioning of microcredits from public resources. As a result, the bank was extended LTL 15 million - the largest amount allocated for microcredits – even before the end of 2006 the grant resources were allocated for the funding of small and medium-sized business operations. The loans were in great demand among business community that duly appreciated the convenient, simple and rapid credit obtaining procedures and a range of guarantees available through the Bank. The guarantee institutions under the Government of RL - UAB “Investicijų ir verslo garantijos” (Investment and Business Guarantees) (INVEGA) and UAB “Žemės ūkio paskolų garantijų fondas” (Agricultural Credit Guarantee Fund) (ŽŪPGF) – in 2006 extended 318 guarantees in respect to small and medium-sized business projects funded by AB Šiaulių bankas.

Last year AB Šiaulių bankas was extended by the German finance and credit company “KfW Bankengruppe” (KfW) a credit line of EUR 10 million earmarked for the funding of municipal infrastructure projects. The European Bank for Reconstruction and Development, for the second time already, acted as a promoter for a EUR 12 million syndicated loan. Funds provided by these and other international financial institutions will be used to further co-finance the operations of AB Šiaulių bankas.

By its operations AB Šiaulių bankas was not only supporting the development of the business sector in the country, it has also been an active social partner by providing funding for a number of municipal projects, and sponsoring a range of social, cultural and public life events. The Bank has expressly confirmed its social commitment by regularly organising training for the business community, supporting projects aimed at facilitating job creation and promoting entrepreneurship, participating in conferences and other initiatives. Some of the support projects have been continued from previous years: for the second year running the Bank has been a sponsor for the Business plan tournament, for the second time the Bank has become master sponsor of the contest "For the best urban and business project", and for nine years the Bank has been sponsoring the Šiauliai basket-ball club “Šiauliai” which has been a regular prize-winner of the Lithuanian basket-ball championships.

In 2006, the financial magazine "Euromoney" published a survey concerning the Central and Eastern European companies in which the strategy pursued by AB Šiaulių bankas was recognised as one of the most targeted and consistent in Lithuania. This represents an official recognition that AB Šiaulių bankas has been firmly holding the leader's position in providing funding to small and medium-sized businesses in Lithuania.

Report on the compliance of AB Šiaulių bankas Group with the Governance Code for the companies listed on the regulated market is included in appendix 1 to this Annual report.

AB Šiaulių bankas Group has already built up a solid volume of loyal clientele that has been remarkably growing in the course of several previous years. In an attempt to further strengthen its reputation and in seeking stability in the rapidly changing market environment, the AB Šiaulių bankas Group has committed itself to continually focusing on the existing customers, expanding the volume and the range of services and financial products, strengthening the capital basis, offering new products to the market, developing professional and social competences of its employees, improving corporate management, and stimulating cooperation with foreign banks, with the view of expanding and diversifying funding sources. The enterprises belonging to Šiaulių bankas Group will continue the successfully launched public integration process, encourage everyone to seek new heights of professional and personal success, and make every effort to consolidate the main values pursued and cherished by AB Šiaulių bankas Group – flexibility and expedience in decision making, personal communication with the customers, professional expertise and reliability.

Chairman of the Board of AB Šiaulių bankas   Algirdas Butkus

ŠIAULIŲ BANKAS AB
Report on the compliance with the Governance Code for the companies listed on the regulated market

Šiaulių bankas AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed 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.
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 of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
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 function is performed by the collegial supervisory body - 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.[1]	Yes/No	See the information stated in principals III and IV
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.[2]	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.
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		

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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]		
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	The mechanism of the formation of the Supervisory Council elected by a general shareholders' meeting ensures objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.
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 provided in this item on its members and disclose this in the company's annual report.	Yes	
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.	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.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. 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.	No	See section 3.3
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.	No	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[4] number of independent[5] members.	No	The members of the Supervisory Council were elected in 2004 when the independence of the members was not assessed.
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 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	Not applicable	See section 3.6

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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	The members of the Supervisory Council were elected in 2004 when the independence of the members was not assessed. The term of tenure of this Supervisory Council ends in 2008.

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	The members of the Supervisory Council were elected in 2004 when the independence of the members was not assessed. The term of tenure of this Supervisory Council ends in 2008.
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.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	

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[7] 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.

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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[8] 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 members of the collegial body voted for such a decision.	Yes/No	All the transactions are concluded according standard conditions performing usual banking activities. Not all transactions are approved by the collegial body.
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[9]. 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.	Yes	The work and decisions of the Supervisory Council are not influenced by people who elected the members of this body.

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 transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	There are no independent members in the Supervisory Council. 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.
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 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 ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes/No	The Audit Committee consists of 3 members. 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 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	No	There is no Nomination Committee at the Bank.

the company should be consulted by, and entitled to submit proposals to the nomination committee.		
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 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; • 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.	No	There is no Remuneration Committee at the Bank.

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.		
4.14. 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 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	Yes	

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[10].	Yes	The Meetings of the Supervisory Council are carried not less than quarterly, the Meetings of the Bank's Board are carried not less than monthly.
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.

[10] The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

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.[11] 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. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance[12]. 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. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. 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.

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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 in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature 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 statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Bank does not prepare a statement 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 prospects, statements 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.	No	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; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See section 8.1.
8.4. Remuneration statement 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.	No	See section 8.1.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities 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.	No	See section 8.1.

8.6. 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.
8.7. Remuneration statement 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 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. 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 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. 8.7.2. 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 financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme,	No	See section 8.1.

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. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements 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.		
8.8. 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.	No	The Bank's senior management is not remunerated for their work in shares, share options or any other right to purchase shares.
8.9. 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 article to individual directors.	No	The Bank's senior management is not remunerated for their work in shares, share options or any other right to purchase shares.
8.10. 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.	No No	The Bank's senior management is not remunerated for their work in shares, share options or any other right to purchase shares. The Bank's senior management is not remunerated for their work in shares, share

8.11. Provisions of Articles 8.8 and 8.9 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.	No	options or any other right to purchase shares The Bank's senior management is not remunerated for their work in shares, share options or any other right to purchase shares.
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, 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.		
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	
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 disclosed in this section is in the amount foreseen by the standard documents, annual prospects-statements and share issue prospects.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed 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.	Yes	
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.	No	The Banks does not prepare information about the links between the bank and its shareholders, including employees, creditors, suppliers, local community.

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 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	The Banks declares all the information listed in this recommendation
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 statements and report 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/No	Supposes the managing board, but supervisory board approves it
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.	Not applicable	The Bank's firm of auditors does not render non-audit services to the bank and was not paid for this by the Bank.

Chairman of the Bank's Board Algirdas Butkus

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

THE GROUP'S AND BANK'S INCOME STATEMENT

		Year ended			
		31 December 2006		31 December 2005	
	Notes	Group	Bank	Group	Bank
Interest and similar income	1	64,489	59,896	45,725	42,419
Interest expense and similar charges	1	(29,157)	(29,547)	(19,858)	(19,493)
Net interest income		35,332	30,349	25,867	22,926
Fee and commission income	2	11,910	12,293	9,587	9,753
Fee and commission expense	2	(3,873)	(3,768)	(3,034)	(2,973)
Net fee and commission income		8,037	8,525	6,553	6,780
Impairment charge for credit losses	7	(1,597)	(423)	(254)	(431)
Net gain on operations with securities	3	694	476	3,164	101
Net foreign exchange gain		3,118	3,161	2,425	2,429
Gain on disposal of assets	5	39,759	36	1,062	48
Other income	6	3,544	583	2,389	541
Administrative and other operating expenses	4	(37,950)	(31,954)	(32,322)	(27,223)
Operating profit		50,937	10,753	8,884	5,171
Dividends from investments in subsidiaries		-	3,833	-	2,932
Profit before income tax		50,937	14,586	8,884	8,103
Income tax expense	8	(8,606)	(935)	(425)	-
Profit for the year		42,331	13,651	8,459	8,103
Profit is attributable to					
Equity holders of the Bank		22,829	13,651	7,583	8,103
Minority interest	26	19,502	-	876	-
Profit for the year		42,331	13,651	8,459	8,103
Basic and diluted earnings per share, net (in LTL per share)	9	0.24	0.15	0.10	0.11

The accounting policies and notes on pages 30 to 71 constitute an integral part of these financial statements.

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

THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	31 December 2006 Group	31 December 2006 Bank	31 December 2005 Group	31 December 2005 Bank
ASSETS					
Cash and balances with central banks	10	94,144	94,132	75,683	75,672
Due from other banks and financial institutions	11	59,181	133,255	73,511	135,909
Trading securities	12	12,574	12,574	15,727	15,685
Derivative financial instruments	13	82	82	72	72
Loans to customers	14	884,816	898,618	634,165	659,081
Finance lease receivables	15	77,867	-	62,148	-
Investment securities:					
- available-for-sale	16	515	515	814	814
- held-to-maturity	16	162,470	162,470	107,570	107,570
Investments in subsidiaries	17	-	6,654	-	6,664
Intangible assets	18	1,600	1,539	2,160	2,038
Tangible fixed assets	19	48,454	36,357	49,193	28,434
Other assets	20	45,600	4,108	45,764	7,071
Total assets		1,387,303	1,350,304	1,066,807	1,039,010
LIABILITIES					
Due to other banks and financial institutions	21	172,954	167,956	123,697	124,058
Due to customers	22	921,279	921,499	743,826	743,848
Special and lending funds	23	42,805	42,007	31,312	30,174
Current income tax liabilities		5,635	581	42	-
Deferred income tax liabilities	8	243	136	112	-
Debt securities in issue	24	27,778	45,561	19,634	19,634
Other liabilities	25	29,240	20,374	30,114	15,869
Share capital paid but not registered	27	-	-	15,194	15,194
Total liabilities		1,199,934	1,198,114	963,931	948,777
EQUITY					
Capital and reserves attributable to equity holders of the parent					
Share capital	27	109,039	109,039	74,720	74,720
Share premium	27	25,000	25,000	8,400	8,400
Reserve capital	27	2,611	2,611	2,611	2,611
Statutory reserve	27	927	700	357	328
Retained earnings		28,419	14,840	8,773	4,174
		165,996	152,190	94,861	90,233
Minority interest	26	21,373	-	8,015	-
Total equity		187,369	152,190	102,876	90,233
Total liabilities and equity		1,387,303	1,350,304	1,066,807	1,039,010

These financial statements were approved by the Bank's Board on 14 March 2007 and signed on behalf of the Board by:

Algirdas Butkus
Chairman of the Board

Vita Adomaitytė
Chief Financial Officer

The accounting policies and notes on pages 31 to 71 constitute an integral part of these financial statements.

(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						Minority interest	Total equity
	Notes	Share capital	Share premium	Reserve capital	Statutory reserve	Retained earnings	Total		
31 December 2004		56,000	2,275	2,611	-	6,552	67,438	3,858	71,296
Dividends	29	-	-	-	-	(560)	(560)	-	(560)
Dividends to minority	26	-	-	-	-	-	-	(1,569)	(1,569)
Formation of statutory reserve		-	-	-	357	(357)	-	-	-
Bonus issue of share capital		6,720	(2,275)	-	-	(4,445)	-	-	-
Issue of share capital		12,000	8,400	-	-	-	20,400	-	20,400
Increase in share capital of minority shareholders in subsidiaries	26	-	-	-	-	-	-	4,850	4,850
Profit for the year		-	-	-	-	7,583	7,583	876	8,459
31 December 2005		74,720	8,400	2,611	357	8,773	94,861	8,015	102,876
Dividends	29	-	-	-	-	(1,694)	(1,694)	-	(1,694)
Dividends to minority	26	-	-	-	-	-	-	(1,888)	(1,888)
Formation of statutory reserve		-	-	-	570	(570)	-	-	
Bonus issue of share capital	9	9,319	(8,400)	-	-	(919)	-	-	-
Issue of share capital	9	25,000	25,000	-	-	-	50,000	-	50,000
Decrease in share capital of minority shareholders in subsidiaries	26	-	-	-	-	-	-	(4,256)	(4,256)
Profit for the year		-	-	-	-	22,829	22,829	19,502	42,331
31 December 2006		109,039	25,000	2,611	927	28,419	165,996	21,373	187,369

The accounting policies and notes on pages 35 to 71 constitute an integral part of these financial statements.

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Share capital	Share premium	Reserve capital	Statutory reserve	Retained earnings	Total
31 December 2004		56,000	2,275	2,611	-	1,404	62,290
Dividends	29	-	-	-	-	(560)	(560)
Formation of statutory reserve		-	-	-	328	(328)	-
Bonus issue of share capital		6,720	(2,275)	-	-	(4,445)	-
Issue of share capital		12,000	8,400	-	-	-	20,400
Profit for the year		-	-	-	-	8,103	8,103
31 December 2005		74,720	8,400	2,611	328	4,174	90,233
Dividends	29	-	-	-	-	(1,694)	(1,694)
Formation of statutory reserve		-	-	-	372	(372)	-
Bonus issue of share capital	9	9,319	(8,400)	-	-	(919)	-
Issue of share capital	9	25,000	25,000	-	-	-	50,000
Profit for the year		-	-	-	-	13,651	13,651
31 December 2006		109,039	25,000	2,611	700	14,840	152,190

The accounting policies and notes on pages 35 to 71 constitute an integral part of these financial statements.

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

		Year ended			
		31 December 2006		31 December 2005	
	Notes	Group	Bank	Group	Bank
Operating activities					
Interest received		63,239	58,674	45,725	42,419
Interest paid		(27,995)	(28,385)	(19,858)	(19,493)
Cash received from previously written-off loans		204	204	1,026	1,026
Net cash received from operations in foreign currency		1,592	1,623	1,765	1,769
Net cash received from operations in securities		200	152	3,318	626
Net cash received from service and commission fees		8,037	8,525	6,553	6,780
Salaries and related payments to and on behalf of employees		(19,149)	(16,136)	(15,465)	(13,128)
Other receipts		43,221	619	3,451	589
Other payments		(25,755)	(12,490)	(22,374)	(15,227)
Net cash flow from operating activities before change in short-term assets and liabilities		43,594	12,786	4,141	5,361
(Increase) decrease in assets:					
Decrease in compulsory reserves with the central bank		-	-	7,197	7,197
(Increase) in loans to credit and financial institutions		(15,039)	(26,715)	(23,495)	(50,840)
(Increase) in loans to customers		(265,272)	(238,164)	(254,050)	(241,337)
Decrease in trading securities		3,420	3,111	20,641	11,431
(Increase) decrease in other assets		(839)	2,738	(21,305)	(2,372)
Change in assets		(277,730)	(259,030)	(271,012)	(275,921)
Increase in liabilities					
Increase in liabilities to credit and financial institutions		49,257	43,330	43,889	47,238
Increase in deposits		187,784	188,890	220,553	220,843
Increase in other liabilities		7,854	4,327	18,859	8,609
Change in liabilities		244,895	236,547	283,301	276,690
Net cash flow from/(used in) operating activities before tax		10,759	(9,697)	16,430	6,130
Income tax paid		(2,882)	(218)	(513)	-
Net cash flow from operating activities		7,877	(9,915)	15,917	6,130
Investing activities					
Purchase of tangible and intangible fixed assets		(13,307)	(11,556)	(25,026)	(7,047)
Disposal of tangible and intangible fixed assets		12,095	2,150	8,485	2,512
Acquisition of held to maturity securities		(67,190)	(66,913)	(27,799)	(27,799)
Proceeds from redemption of held to maturity securities		12,322	12,322	9,173	9,173
Dividends received		293	3,966	414	2,995
Net cash used in investing activities		(55,787)	(60,031)	(34,753)	(20,166)
Financing activities					
Increase in share capital		50,000	50,000	35,594	35,594
Dividends paid		(1,697)	(1,697)	(564)	(564)
Installments to the share capital of the subsidiary company by minority shareholders		-	-	4,800	-
Payment to minority shareholders from reduced share capital of subsidiary company		(4,252)	-	-	-
Debt securities issued		67,240	85,023	19,634	19,634
Debt securities repurchased and redeemed		(59,096)	(59,096)	-	-
Net cash flow from financing activities		52,195	74,230	59,464	54,664
Net increase in cash and cash equivalents		**4,285**	**4,284**	**40,628**	**40,628**
Cash and cash equivalents at 1 January		**117,273**	**117,262**	**76,645**	**76,634**
Cash and cash equivalents at 31 December	**30**	**121,558**	**121,546**	**117,273**	**117,262**

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

The accounting policies and notes on pages 35 to 71 constitute an integral part of these financial statements.

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 35 client service units (2005: 11 branches and 34 client service units). As at 31 December 2006 the Bank had 442 employees (31 December 2005: 399). As at 31 December 2006 the Group had 515 employees (31 December 2005: 473 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 Main List of the National Stock Exchange of Lithuania (NSEL).

The Bank owns the following subsidiaries:

- Šiaulių Banko Lizingas UAB (hereinafter – SB Lizingas, finance and operating leasing activities),
- Šiaulių Banko Investicijų Valdymas UAB (hereinafter SB Investicijų Valdymas, investment management activities),
- Šiaulių Banko Turto Fondas UAB (hereinafter – SB Turto Fondas, real estate trading and development activities),
- Pajūrio Alka UAB (hotel services).

Investments in subsidiaries are described in more detail in Note 17 *Investments in subsidiaries*.

The Bank's shareholders structure is disclosed in Note 27 *Share capital*.

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 are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements are prepared under the historical cost convention as modified by 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 parent 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 Euro at a rate of 3.4528 LTL = 1 EUR.

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

ACCOUNTING POLIECIES (CONTINUED)

Standards, amendments and interpretations that have been published and are effective in 2006:

- IAS 19 Amendment, Actuarial gains and losses, Group plans and disclosures (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IAS 39 Amendment, The fair value option (effective for annual periods beginning on or after 1 January 2006). The amendment do not have any impact on classification of the Group financial instruments.
- IAS 21 Amendment, Net investment in a foreign operation (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IAS 39 Amendment, Cash flow hedge accounting of forecast intragroup transactions (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IAS 39 and IFRS 4 Amendment, Financial guarantee contracts (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IFRS 6, Exploration for and Evaluation of Mineral resources (effective for annual periods beginning on or after 1 January 2006). This standart is not relevant to the Group.
- IFRS 1 Amendment, First time Adoption of International Financial Reporting Standarts, and IFRS 6 amendment, Exploration for and Evaluation of Mineral resources (effective for annual periods beginning on or after 1 January 2006). These amendments are not relevant to the Group.
- IFRIC 4, Determining whether an arrangement contains a lease (effective for annual periods beginning on or after 1 January 2006). The Group has reviewed the contracts, but the amendment don't have any impact.
- IFRIC 5, Rights to Interests arising from Decommissioning, restoration and environmental rehabilitation funds (effective for annual periods beginning on or after 1 January 2006). This interpretation is not relevant to the Group.
- IFRIC 6, Liabilities arising from participating in a specific market – waste electrical and electronic equipment (effective for annual periods beginning on or after 1 December 2005). This interpretation is not relevant to the Group.

Standards, amendments and interpretations that have been published but as of 31 12 2006 are not yet effective and have not been early adopted by the Group:

- IFRS 7, Financial Instruments: disclosure (effective for annual periods beginning on or after January 2007), and the complementary Amendments to IAS 1, Presentation of Financial Statements – Capital disclosure were not applied in the Group for 2006. The Group will apply the standards for annual period beginning on 1 January 2007.
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). As none of the Group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group.
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 may 2006). The Group will apply IFRIC 8 from January 2007, but this interpretation is not relevant to the Group.
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). As none of the Group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations.
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). The Group will apply this interpretation from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.
- IFRIC 11, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This interpretation is not relevant to the Group.
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). This interpretation is not relevant to the Group.

Critical accounting estimates

Impairment losses on loans. The Bank and the Group reviews its loan portfolios to assess impairment at least on a quarterly basiss. In determining whether an impairment loss should be recorded in the income statement , 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 leases before the decrease can be identified with an individual loan 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 assets 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.

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

ACCOUNTING POLIECIES (CONTINUED)

Critical accounting estimates (continued)

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.

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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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 at cost – that is 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 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 litas, which is the Bank's functional and presentation currency.

(b) Transactions and balances
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 income statement for the period. All non-monetary liabilities and assets are translated using the exchange rate prevailing on the date of acquisition.

Transactions denominated in foreign currency are recorded at the rate ruling on the date of the transaction. Exchange differences arising from the settlement of transactions denominated in foreign currency are charged to the income statement at the time of settlement 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 positions, 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.

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

ACCOUNTING POLIECIES (CONTINUED)

Off-setting of 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 set off the recognised amounts and there is an internion 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 income statement 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 related to income to be earned in future periods is accounted in the balance sheet as deferred income (liabilities), and costs paid during an accounting period related to expenses to be incurred in future periods are shown in the balance sheet as deferred charges (assets).

Dividend income

Dividends are recognised in the income statement when the Bank's right to receive payments is established.

Taxation

a) Income tax

In accordance with the Lithuanian Law on Corporate Profit Tax, the current income tax rate is 19% on taxable income. Expenses related to taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian regulatory legislation on taxes. Income tax rate valid for 2005 was 15%.

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.

The principal temporary differences arise from revaluation of securities, difference between net book value and tax base of 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

Road tax of 1%, valid until 30 June 2005, is imposed on income from interest margin and on income on other services. Real estate tax rate is 1% on the tax value of property 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 income statement.

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.

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

Financial assets

Financial assets are classified into 4 groups: financial assets at fair value through profit and loss (the Group and the Bank has 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 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 equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised the cumulative gain or loss previously recognised in equity 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 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.

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

ACCOUNTING POLIECIES (CONTINUED)

Impairment losses on loans, held to maturity investments, available for sale assets and provisions for other assets

Losses on loan and held to maturity investment impairment is 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 financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets 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 income statement. 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 income statement 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 equity and recognised in the income statement.

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 sale 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.

Property and equipment

Property and equipment are held at historical cost plus revaluation 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.

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

ACCOUNTING POLIECIES (CONTINUED)

Property and equipment (continued)

Assets that are subject to amortisation 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. Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are charged to the income statement.

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 income statement when they are incurred. Significant renewals of assets are capitalised and depreciated over the remaining useful life period of the improved asset.

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 income statement on a straight-line basis over the period of lease.

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.

Assets held for sale (including foreclosed assets) and real estate projects under development

Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. Real estate projects under development are stated at the lower of cost and fair value less costs to sell.

Borrowings

Borrowings (including debt securities issued) 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 income statement 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.

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

ACCOUNTING POLIECIES (CONTINUED)

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

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 income statement and within other liabilities in the balance sheet.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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.

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 income statement 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 income statement 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.

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.

Capital adequacy

The capital adequacy ratio is calculated in accordance with the rules approved by the Bank of Lithuania, which are based on the Basel Committee recommendations. The Bank of Lithuania requires local commercial banks to maintain a minimum capital adequacy ratio of 8%.

The Group

	31 December 2006	31 December 2005
Calculated capital	141,600	92,172
Risk weighted assets and off balance sheet items	1,025,742	783,204
Capital adequacy ratio	13.80	11.77

The Bank

	31 December 2005	31 March 2006	30 June 2006	30 September 2006	31 December 2006
Calculated capital	87,286	108 ,661	102 ,781	102 ,944	136 ,100
Risk weighted assets and off balance sheet items	754,430	861 ,794	912 ,571	920 ,868	991 ,451
Capital adequacy ratio	11.57	12.61	11.26	11.18	13.73

Credit risk

The Group takes on exposure to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and to industry segments. Such risks are monitored on a rolling basis and subject to an annual or more frequent review. The structures of loans and leases receivables in respect of the Bank's management of credit risk are disclosed in Notes 14 and 15, respectively. Concentration of exposure is disclosed in Note 35.

<u>Credit risk related to swap contracts</u>

The Group's credit risk for swap contracts represents the potential cost to replace the swap contract if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses the creditworthiness of the counterparties.

<u>Credit related commitments</u>

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to them, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused amount since most commitments are contingent upon customers maintaining specific credit standards.

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

FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Group is exposed to possible cash flows inconsistency risk arising out of usage of available cash resources for further objectives: repayment of overnight deposits, current accounts liabilities management, repayment of maturing deposits, granting committed loans, guarantees, to fulfil margin and other liabilities related to derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Note 31 analyses assets and liabilities of the Bank and the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The Group's and the Bank's liabilities on demand exceed assets with similar duration. The liquidity of the Group and the Bank at any moment is ensured by the portfolio of the debt securities kept by the Bank, which have liquid secondary market, and which comprise debt securities of the Government of Lithuania (for details see note 16 *Investment securities*).

Market risk

Market risk – is the risk that the Bank incurs losses as a consequence of changes of market variables (interest rates, foreign exchange rates, stock prices). Methodology and limits of market risk assessment and management are proposed by the Risk management committee of the Bank and approved by the Board of the Bank.

Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's and the Group's exposure to foreign currency exchange rate risk is summarised in Note 32.

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken. The Group's and the Bank's exposure to interest rate risk is summarised in Note 33.

Operational risk

Upon normal business conditions operational risk exists in all Group activities. The Bank treats operational risk as the risk of loss resulting from inadequate or failed internal procedures, people and technology, or from external events. Operational risk in the Bank is managed by mitigating it, i.e. recording risk events and implementing internal control tools. Operational risk department is responsible for risk analysis.

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

SEGMENT REPORTING

The Group and the Bank operate in one geographical area, which is the Republic of Lithuania. The Group's and the Bank's credit risk is concentrated therein.

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 2006 and in the income statement for the year then ended:

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total Group
Internal	3,553	(2,906)	(469)	(178)	-	-
External	26,796	8,217	158	161	-	35,332
Net interest income	30,349	5,311	(311)	(17)	-	35,332
Internal	3,987	(3,333)	(470)	(184)	-	-
External	34,887	8,119	206	157	-	43,369
Net interest, fee and commissions income	38,874	4,786	(264)	(27)	-	43,369
Provisions expenses	(423)	(680)	82	(576)		(1,597)
Internal	-	(240)	(25)	(28)	293	-
External	(28,670)	(2,100)	(560)	(2,395)	(293)	(34,018)
Operating expenses	(28,670)	(2,340)	(585)	(2,423)	-	(34,018)
Amortisation	(673)	(56)	-	(9)	-	(738)
Depreciation	(2,611)	(464)	(46)	(366)	-	(3,487)
Internal	7,988	(1,000)	(1,450)	(1,412)	(4,126)	-
External	101	1,410	2,654	42,950	293	47,408
Net other income	8,089	410	1,204	41,538	(3,833)	47,408
Profit before tax	14,586	1,656	391	38,137	(3,833)	50,937
Income tax expenses	(935)	(414)	-	(7,257)	-	(8,606)
Profit per segment after tax	13,651	1,242	391	30,880	(3,833)	42,331
Minority interest	-	-	(155)	(19,347)	-	(19,502)
Profit for the year attributable to equity holders of the Bank	13,651	1,242	236	11,533	(3,833)	22,829
Total segment assets	1,350,304	89,053	14,444	52,387	(118,885)	1,387,303
Total segment liabilities	1,198,114	86,676	12,287	15,088	(112,231)	1,199,934
Net segment assets (shareholders' equity)	152,190	2,377	2,157	37,299	(6,654)	187,369
Fixed asset additions	10,579	1,408	2	341	-	12,330

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

SEGMENT REPORTING (CONTINUED)

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 2005 and in the income statement for the year then ended:

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total Group
Internal	2,841	(2,032)	(254)	(555)		-
External	20,089	5,849	4	(75)		25,867
Net interest income	22,930	3,817	(250)	(630)		25,867
Internal	3,190	(2,380)	(254)	(559)	3	-
External	26,519	5,836	94	(29)		32,420
Net interest, fee and commissions income	29,709	3,456	(160)	(588)	3	32,420
Provisions expenses	(339)	(178)	(87)	350		(254)
Internal	(64)	(231)	(25)	(26)	346	-
External	(24,050)	(1,936)	(573)	(1,712)		(28,271)
Operating expenses	(24,114)	(2,167)	(598)	(1,738)	346	(28,271)
Amortisation	(652)	(69)	(1)	(9)		(731)
Depreciation	(2,498)	(358)	(47)	(417)		(3,320)
Internal	6,093	(937)	(604)	(1,328)	(3,224)	-
External	(96)	1,324	3,924	3,888	-	9,040
Net other income	5,997	387	3,320	2,560	(3,224)	9,040
Profit before tax	8,103	1,071	2,427	158	(2,875)	8,884
Income tax expenses	-	(162)	(263)	-		(425)
Profit per segment after tax	8,103	909	2,164	158	(2,875)	8,459
Minority interest	-	-	(858)	(18)		(876)
Profit for the year attributable to equity holders of the Bank	8,103	909	1,306	140	(2,875)	7,583
Total segment assets	1,039,064	70,441	19,637	37,180	(99,515)	1,066,807
Total segment liabilities	949,076	68,306	15,466	24,233	(93,150)	963,931
Net segment assets (shareholders' equity)	89,988	2,135	4,171	12,947	(6,365)	102,876
Fixed asset additions	7,047	599	3	11,730		18,777

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Interest income:				
on loans due from banks and financial institutions and placements with credit institutions	2,853	5,766	1,539	3,581
on loans to customers	47,706	47,797	33,143	33,595
on debt securities	6,333	6,333	5,243	5,243
on finance leases	7,597	-	5,800	-
Total interest income	64,489	59,896	45,725	42,419
Interest expense:				
on liabilities to the central bank	-	-	(104)	(104)
on liabilities to other banks and financial institutions and amounts due to credit institutions	(5,519)	(5,474)	(2,470)	(2,281)
on customer deposits and other repayable funds	(22,612)	(22,661)	(16,981)	(16,807)
on debt securities issued	(1,026)	(1,412)	(301)	(301)
on finance leases	-	-	(2)	-
Total interest expense	(29,157)	(29,547)	(19,858)	(19,493)
Net interest income	35,332	30,349	25,867	22,926

NOTE 2 NET FEE AND COMMISSION INCOME

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Fee and commission income:				
for money transfer operations	7,381	7,503	5,627	5,727
for payment card services	1,447	1,453	1,010	1,015
for exchange of base currency	876	877	757	758
for operations with securities	253	253	489	489
other fee and commission income	1,953	2,207	1,704	1,764
Total fee and commission income	11,910	12,293	9,587	9,753
Fee and commission expense:				
for payment card services	(2,285)	(2,283)	(1,672)	(1,669)
for money transfer operations	(1,140)	(1,140)	(888)	(888)
for operations with securities	(274)	(274)	(393)	(362)
for exchange of base currency	(5)	(5)	(7)	(7)
other fee and commission expenses	(169)	(66)	(74)	(47)
Total fee and commission expense	(3,873)	(3,768)	(3,034)	(2,973)
Net fee and commission income	8,037	8,525	6,553	6,780

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3 NET GAIN (LOSS) ON OPERATIONS WITH SECURITIES

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Trading securities				
Realised gain on trading equity securities	422	364	2,829	141
Unrealised gain (loss) on trading equity securities	305	305	(131)	(135)
Realised gain on trading debt securities	38	38	478	478
Unrealised loss on trading debt securities	(414)	(414)	(446)	(446)
Net gain from trading securities	351	293	2,730	38
Realised gain on available for sale securities	50	50	-	-
Dividend and other income from equity securities	293	133	434	63
Total	694	476	3,164	101

NOTE 4 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Salaries, social insurance and other related expenses	19,330	16,317	15,790	13,453
Compulsory insurance of deposits	3,955	3,955	3,024	3,024
Rent of premises and maintenance expenses	3,793	3,470	3,071	2,803
Depreciation of fixed tangible assets	3,487	2,611	3,320	2,497
Transportation, post and communications expenses	1,934	1,571	2,050	1,751
Amortisation of intangible assets	738	673	731	645
Road tax, real estate tax and other taxes	698	478	409	212
Advertising and marketing expenses	649	524	590	451
Training and business trip expenses	232	199	156	128
Support	307	285	295	285
Legal expenses	127	127	258	258
Other operating expenses	2,700	1,744	2,628	1,716
Total	37,950	31,954	32,322	27,223

NOTE 5 GAIN ON DISPOSAL OF ASSETS

Gain on disposal of assets at the Group level in 2006 includes the total amount of gains of LTL 39,612 thousand on sale of a number of real estate items (land and buildings) to third parties by the Bank's subsidiary ŠB Turto Fondas (real estate trading and development company). All the sale transactions were fully completed in 2006.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6 OTHER INCOME

	2006		2005	
	Group	Bank	Group	Bank
Income from lease of assets	2,103	372	1,274	347
Other income	1,441	211	1,115	194
Total	3,544	583	2,389	541

NOTE 7 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	2006		2005	
	Group	Bank	Group	Bank
Impairment losses on loans:				
Impairment charge for the year	652	413	1,222	1,013
Recovered previously written off loans	(204)	(204)	(1,026)	(1,026)
Total impairment losses on loans	448	209	196	(13)
Expenses for (release of) provisions on:				
receivables for sold foreclosed assets	(36)	(36)	142	142
finance lease receivables	476	-	119	-
recovered previously written-off finance lease receivables	(33)	-	-	-
other doubtful assets	742	250	(203)	302
Total provisions on other assets	1,149	214	58	444
Total	1,597	423	254	431

NOTE 8 INCOME TAX EXPENSE

	2006		2005	
	Group	Bank	Group	Bank
Current tax	8,475	799	426	-
Deferred taxes	131	136	(1)	-
Total	8,606	935	425	-

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

	2006		2005	
	Group	Bank	Group	Bank
Profit before income tax	50,937	14,586	8,884	8,103
Tax calculated at a rate of 19% (15% in the year 2005)	9,678	2,771	1,333	1,215
Income not subject to tax	(1,513)	(1,733)	(1,352)	(1,293)
Expenses not deductible for tax purposes	991	513	884	573
Increase in tax losses	-	-	106	-
Utilisation of tax losses for which deferred tax asset was not recognized	(238)	(304)	(546)	(495)
Utilization of dividend tax advantage	(312)	(312)		
Tax charge	8,606	935	425	-

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 INCOME TAX (CONTINUED)

Deferred tax assets

	Group			Bank		
	Tax losses	**Accruals**	**Total**	**Tax losses**	**Accruals**	**Total**
At 31 December 2004	(333)	-	(333)	(322)	-	-322
To be credited/(charged) to net profit	(120)	-	(120)	37	-	37
At 31 December 2005	(453)	-	(453)	(285)	-	(285)
To be credited/(charged) to net profit	453	(217)	236	285	(217)	68
At 31 December 2006	-	(217)	(217)	-	(217)	(217)

Deferred tax liabilities

	Group			Bank		
	Revaluation of securities	**Fixed assets**	**Total**	**Revaluation of securities**	**Fixed assets**	**Total**
At 31 December 2004	91	355	446	80	242	322
To be credited/(charged) to net profit	87	32	119	(72)	35	(37)
At 31 December 2005	178	387	565	8	277	285
To be credited/(charged) to net profit	(98)	(7)	(105)	72	(4)	68
At 31 December 2006	80	380	460	80	273	353

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:

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Deferred tax assets	217	217	453	285
Deferred tax liabilities	(460)	(353)	(565)	(285)
Net deferred tax liability	(243)	(136)	(112)	-

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 9 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.

On 8 January 2006, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the increase of the Bank's authorised share capital by LTL 10,000 thousand by issuing 10,000 thousand ordinary registered shares with a par value of LTL 1 each. The new shares have been allotted at LTL 1.7 each. All shares were subscribed and fully paid for. On 11 May 2006, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the increase of the Bank's authorised share capital by LTL 9,319 thousand by bonus issue of share capital. On 18 December 2006, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the increase of the Bank's authorised share capital by LTL 15,000 thousand by issuing 15,000 thousand ordinary registered shares with a par value of LTL 1 each. The new shares have been allotted at LTL 2.2 each. All shares were subscribed and fully paid for. Share premium amounted to LTL 25,000 thousand as at 31 December 2006 (2005: LTL 8,400 thousand).

Weighted average number of shares in issue for year ended 31 December 2006 was 93,573 thousand (38 days – 84,039 thousand shares, 313 days – 94,039 thousand shares, 14 days – 109,039 thousand shares). Weighted average number of shares for the year ended 31 December 2005 was 76,083 thousand (242 days – 72,039 thousand shares, 123 days – 84,039) thousand shares).

Earnings per share

Group	**2006**	**2005**
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	22,829	7,583
Weighted average number of issued shares (thousand of shares)	93,573	76,083
Earnings per share (in LTL per share)	0.24	0.10

Bank	**2006**	**2005**
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	13,651	8,103
Weighted average number of issued shares (thousand of shares)	93,573	76,083
Earnings per share (in LTL per share)	0.15	0.11

NOTE 10 CASH AND BALANCES WITH CENTRAL BANK

	2006		**2005**	
	Group	**Bank**	**Group**	**Bank**
Cash and other valuables	30,620	30,608	21,649	21,638
Placements with Central Bank:				
Correspondent account with central bank	6,269	6,269	9,687	9,687
Mandatory reserves in national currency	57,255	57,255	44,347	44,347
Total placements with Central Bank	63,524	63,524	54,034	54,034
Total	94,144	94,132	75,683	75,672

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 11 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Correspondent bank accounts	27,414	27,414	26,829	26,782
Repurchase contracts	11,082	11,082	7,352	7,352
Time deposits	11,249	11,249	27,372	27,372
Loans granted	9,343	83,510	11,958	74,403
Demand deposits	93	-	-	-
Total	59,181	133,255	73,511	135,909

NOTE 12 TRADING SECURITIES

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Debt securities:				
Government bonds	8,487	8,487	12,936	12,936
Equity securities:				
Listed	2,060	2,060	2,461	2,461
Unlisted	40	40	330	288
Units of funds	1,987	1,987	-	-
Total equity securities	4,087	4,087	2,791	2,749
Total	12,574	12,574	15,727	15,685

NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative financial instrument:

- Currency swaps, which are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies.

The nominal amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The swap contract held as at 31 December 2006 is set out in the following table:

Group (Bank)	**2006**	**2005**
Contractual amount		
Purchase	14,467	14,551
Sale	14,374	14,569
Fair values:		
Assets	82	72

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 14 LOANS TO CUSTOMERS

The loans are originated by the Bank, UAB SB Lizingas (LTL 6,185 thousand) and UAB SB Investiciju Valdymas (LTL 2 thousand).

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Loans to corporate entities	724,784	744,729	528,537	556,908
Loans to individuals	162,085	155,663	107,542	103,799
Gross total loans granted	886,869	900,392	636,079	660,707
Less: allowance for impairment	(2,053)	(1,774)	(1,914)	(1,626)
Net	884,816	898,618	634,165	659,081

Quality of loans

The total value of collateral to secure the loans granted amounted to LTL 2,213,183 thousand as at 31 December 2006 (2005: LTL 1,603,188 thousand). Changes in provision for loan impairment are given below:

	Group	**Bank**
Provision for loan impairment at 31 December 2004	2,326	2,249
Provision for impairment of loans written off during the year as uncollectible	(1,671)	(1,673)
Exchange rate differences and other adjustments	37	37
Increase in provision for loan impairment (Note 7)	1,222	1,013
Provision for loan impairment at 31 December 2005	1,914	1,626
Provision for impairment of loans written off during the year as uncollectible	(500)	(252)
Exchange rate differences and other adjustments	(13)	(13)
Increase in provision for loan impairment (Note 7)	652	413
Provision for loan impairment at 31 December 2006	2,053	1,774

Structure of the loan portfolio by types of activities:

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Total loans granted by industry sectors:				
Trading	191,241	191,241	148,495	148,495
Manufacturing	117,175	117,165	102,935	102,935
Construction	145,161	145,161	68,592	68,592
Real estate, rent	92,211	99,795	61,458	61,458
Agriculture, hunting and forestry	63,775	63,775	53,860	53,860
Transportation	25,690	25,690	25,023	25,023
Hotels and restaurants	40,920	42,927	24,882	34,277
Utilities	18,666	18,666	8,937	8,937
Other industry sectors	41,536	51,900	36,475	55,451
Loans not assigned to industry sectors	150,494	144,072	105,422	101,679
Total	886,869	900,392	636,079	660,707

NOTE 15 FINANCE LEASE RECEIVABLES

	Up to 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**
Gross investments in leasing:				
Balance at 31 December 2005	35,423	26,701	8,049	70,173
Change during 2006	8,492	8,216	1,759	18,467
Balance at 31 December 2006	43,915	34,917	9,808	88,640
Unearned finance income on finance leases:				
Balance at 31 December 2005	3,462	3,187	785	7,434
Change during 2006	932	1,532	216	2,680
Balance at 31 December 2006	4,394	4,719	1,001	10,114
Net investments in leasing before provisions:				
At 31 December 2005	31,961	23,514	7,264	62,739
At 31 December 2006	39,521	30,198	8,807	78,526
Changes in provisions:				
Balance as at 31 December 2005	-	591	-	591
Additional provisions charged	-	476	-	476
Provisions for finance lease debts written off	-	(408)	-	(408)
Balance as at 31 December 2006	-	659	-	659
Net investments in leasing after provisions:				
At 31 December 2005	31,961	22,923	7,264	62,148
At 31 December 2006	39,521	29,539	8,807	77,867

	2006	**2005**
By type of lessees:		
Legal entities	46,319	37,881
Individuals	32,207	24,858
Net investments before provisions	78,526	62,739
By type of assets leased:		
Equipment	31,799	21,782
Computers and computer hardware	5,594	7,021
Commercial facilities	14,870	15,409
Heavy transport means	12,467	4,065
Plastic windows and window-cases	3,379	5,325
Cars	6,542	3,888
Other	3,875	5,249
Net investments before provisions	78,526	62,739

All lessees operate in Lithuania.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 16 INVESTMENT SECURITIES

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Securities available-for-sale:				
Unlisted equity securities	515	515	814	814
Total securities available-for-sale	515	515	814	814
Securities held-to-maturity:				
Bonds of non-residents	7,287	7,287	-	-
Government bonds of foreign states	22,623	22,623	-	-
Bonds of residents	6,597	6,597	-	-
Government bonds of the Republic of Lithuania	125,963	125,963	107,570	107,570
Total securities held-to-maturity	162,470	162,470	107,570	107,570
Total investment securities	162,985	162,985	108,384	108,384

The fair value of securities held-to-maturity as at 31 December 2006 was higher than its carrying value by LTL 1,468 thousand (2005: LTL 1,600 thousand).

NOTE 17 INVESTMENTS IN SUBSIDIARIES

	2006			2005		
Bank	**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 Faktoringas UAB	-	-	-	100,0%	10	10
ŠB Turto Fondas UAB	53.1%	531	531	53,10%	531	531
Pajūrio Alka UAB	99.85%	4,519	4,519	99,85%	4,519	4,519
Total			6,654			6,664

ŠB Faktoringas UAB was under liquidation as at 31 December 2006. Uncovered part of the loan to the Bank of LTL 21 thousand and investment of LTL 10 thousand were written-off in the Bank's accounts in the year 2006.

NOTE 18 INTANGIBLE ASSETS

	Group	Bank
	Software and licences	**Software and licences**
31 December 2004:		
Cost	4,481	4,191
Accumulated amortisation	(2,250)	(2,103)
Net book value	2,231	2,088
Year ended on 31 December 2005:		
Net book value at 1 January	2,231	2,088
Acquisitions	660	595
Amortisation charge	(731)	(645)
Net book value at 31 December	2,160	2,038

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 18 INTANGIBLE ASSETS (CONTINUED)

	Group	Bank
	Software and licences	**Software and licences**
31 December 2005:		
Cost	5,141	4,786
Accumulated amortisation	(2,981)	(2,748)
Net book value	2,160	2,038
Year ended on 31 December 2006:		
Net book value at 1 January	2,160	2,038
Acquisitions	178	174
Amortisation charge	(738)	(673)
Net book value at 31 December	1,600	1,539
31 December 2006:		
Cost	5,269	4,960
Accumulated amortisation	(3,669)	(3,421)
Net book value	1,600	1,539
Economic useful life (in years)	1-9	1-9

NOTE 19 TANGIBLE FIXED ASSETS

Group	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
31 December 2004:					
Cost/valuation	34,668	4,930	11,669	251	51,518
Accumulated depreciation	(3,485)	(853)	(6,139)	-	(10,477)
Net book value	31,183	4,077	5,530	251	41,041
Year ended on 31 December 2005:					
Net book value at 1 January	31,183	4,077	5,530	251	41,041
Acquisitions	13,851	1,005	2,086	1,175	18,117
Disposals and write-offs	(4,813)	(703)	(48)	(1,081)	(6,645)
Depreciation charge	(766)	(605)	(1,949)		(3,320)
Net book value at 31 December	39,455	3,774	5,619	345	49,193
31 December 2005:					
Cost/valuation	43,684	4,790	13,079	345	61,898
Accumulated depreciation	(4,229)	(1,016)	(7,460)	-	(12,705)
Net book value	39,455	3,774	5,619	345	49,193
Year ended on 31 December 2006:					
Net book value at 1 January	39,455	3,774	5,619	345	49,193
Acquisitions	6,742	2,484	2,597	1,289	13,112
Disposals and write-offs	(9,256)	(581)	(90)	(437)	(10,364)
Depreciation charge	(706)	(751)	(2,030)	-	(3,487)
Net book value at 31 December	36,235	4,926	6,096	1,197	48,454
31 December 2006:					
Cost	41,022	6,123	14,640	1,197	62,982
Accumulated depreciation	(4,787)	(1,197)	(8,544)	-	(14,528)
Net book value	36,235	4,926	6,096	1,197	48,454
Economic useful life (in years)	20-50	5-6	3-20	-	

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 19 TANGIBLE FIXED ASSETS (CONTINUED)

From the total Group assets amount stated in the table above, the assets leased under operating lease agreements as at 31 December 2006 are as follows:

Group	**Buildings and premises**	**Vehicles**	**Equipment**	**Total**
31 December 2004				
Cost	400	2,044	179	2,623
Accumulated depreciation	(35)	(40)	(50)	(125)
Net book value	365	2,004	129	2,498
Year ended 31 December 2005				
Net book value at 1 January	365	2,004	129	2,498
Acquisitions	160	196	82	438
Disposals and write-offs	-	-	(35)	(35)
Depreciation charge	(30)	(147)	(58)	(235)
Net book value at 31 December	495	2,053	118	2,666
31 December 2005				
Cost	560	2,240	164	2,964
Accumulated depreciation	(65)	(187)	(46)	(298)
Net book value	495	2,053	118	2,666
Year ended 31 December 2006				
Net book value at 1 January	495	2,053	118	2,666
Acquisitions	500	224	164	888
Disposals and write-offs	(21)	-	(33)	(54)
Depreciation charge	(53)	(225)	(79)	(357)
Net book value at 31 December	921	2052	170	3,143
31 December 2006				
Cost	1,036	2,464	269	3,769
Accumulated depreciation	(115)	(412)	(99)	(626)
Net book value	921	2,052	170	3,143
Economic life (in years)	20-50	5-6	3-20	

As at 31 December 2006 and 31 December 2005, there were no tangible fixed assets pledged to third parties.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 19 TANGIBLE FIXED ASSETS (CONTINUED)

Bank	Buildings and premises	Vehicles	Office equipment	Construction in progress	Total
31 December 2004:					
Cost/valuation	21,700	1,835	10,302	161	33,998
Accumulated depreciation	(1,619)	(626)	(5,615)	-	(7,860)
Net book value	20,081	1,209	4,687	161	26,138
Year ended on 31 December 2005:					
Net book value at 1 January	20,081	1,209	4,687	161	26,138
Acquisitions	3,318	695	1,264	1,175	6,452
Disposals and write-offs	(518)	(139)	(11)	(991)	(1,659)
Depreciation charge	(472)	(336)	(1,689)	-	(2,497)
Net book value at 31 December	22,409	1,429	4,251	345	28,434
31 December 2005:					
Cost/valuation	24,478	2,110	11,005	345	37,938
Accumulated depreciation	(2,069)	(681)	(6,754)	-	(9,504)
Net book value	22,409	1,429	4,251	345	28,434
Year ended on 31 December 2006:					
Net book value at 1 January	22,409	1,429	4,251	345	28,434
Acquisitions	6,732	1,760	1,601	1,289	11,382
Disposals and write-offs	-	(380)	(31)	(437)	(848)
Depreciation charge	(509)	(452)	(1,650)	-	(2,611)
Net book value at 31 December	28,632	2,357	4,171	1,197	36,357
31 December 2006:					
Cost	31,210	3,015	11,748	1,197	47,170
Accumulated depreciation	(2,578)	(658)	(7,577)	-	(10,813)
Net book value	28,632	2,357	4,171	1,197	36,357
Economic useful life (in years)	20-50	5-6	3-20	-	

As at 31 December 2006, the Bank had premises given on lease with the value of LTL 1,245 thousand (2005: LTL 1,274 thousand). In 2006 income from lease of these premises amounted to LTL 64 thousand (2005: LTL 63 thousand).

NOTE 20 OTHER ASSETS

	2006		2005	
	Group	Bank	Group	Bank
Assets held for sale and real estate projects under development	17,244	-	21,575	-
Amounts receivable	17,559	391	19,527	2,837
Deferred expenses	2,045	1,992	2,113	1,974
Transit accounts	1,170	1,170	1,149	1,149
Prepayments	5,967	162	564	564
Foreclosed assets	45	45	231	231
Prepaid income tax	80	-	129	-
Other	1,490	348	476	316
Total	45,600	4,108	45,764	7,071

Assets held for sale relate to real estate projects under development by the Bank's subsidiaries Šiaulių Banko Turto Fondas UAB and Šiaulių Banko Investicijų Valdymas UAB.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 21 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	17,951	17,953	1,851	2,212
Time deposits	57,473	57,473	61,889	61,889
Total correspondent accounts and deposits of other banks and financial institutions	75,424	75,426	63,740	64,101
Loans received:				
Loans from other banks	32,798	27,798	17,334	17,334
Loans from international organisations	64,732	64,732	42,623	42,623
Total loans received	97,530	92,530	59,957	59,957
Total	172,954	167,956	123,697	124,058

NOTE 22 DUE TO CUSTOMERS

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Demand deposits:				
National government institutions	8,949	8,949	9,491	9,491
Local government institutions	34,791	34,791	34,862	34,862
Governmental and municipal companies	14,880	14,880	30,642	30,642
Corporate entities	123,504	123,564	127,184	127,206
Non-profit organisations	5,647	5,647	4,933	4,933
Individuals	92,797	92,797	63,176	63,176
Total demand deposits	280,568	280,628	270,288	270,310
Time deposits:				
National government institutions	13,730	13,730	7,635	7,635
Local government institutions	1,479	1,479	466	466
Governmental and municipality companies	72,214	72,214	29,980	29,980
Corporate entities	68,006	68,166	86,606	86,606
Non-profit organisations	2,921	2,921	2,544	2,544
Individuals	482,361	482,361	346,307	346,307
Total time deposits	640,711	640,871	473,538	473,538
Total	921,279	921,499	743,826	743,848

See effective interest rate on deposits disclosed in Note 33 *Interest rate risk*.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 23 SPECIAL AND LENDING FUNDS

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Special funds	326	326	384	384
Lending funds	42,479	41,681	30,928	29,790
Total	42,805	42,007	31,312	30,174

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 24 DEBT SECURITIES IN ISSUE

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Short term debenture bonds denominated in LTL with discount rate of 3.4 per cent, maturity 2006	-	-	19,634	19,634
Short term debenture bonds denominated in LTL with discount rate of 4.1 per cent, maturity 2007	12,168	12,168	-	-
Two year bonds denominated in EUR with coupon rate of 4.6 per cent, maturity 2008	15,610	33,393	-	-
Total	27,778	45,561	19,634	19,634

NOTE 25 OTHER LIABILITIES

	2006		2005	
	Group	**Bank**	**Group**	**Bank**
Transit accounts	14,250	14,250	10,463	10,463
Accrued charges	3,601	3,183	3,183	2,599
Deferred income	3,305	2,624	2,818	2,340
Advances received from the buyers of assets	3,594	-	4,146	20
Amounts payable for shares	-	-	8,641	-
Other	4,490	317	863	447
Total	29,240	20,374	30,114	15,869

NOTE 26 MINORITY INTEREST

	2006	2005
	Group	**Group**
Balance at 1 January	8,015	3,858
Share of profit for the reporting period	19,502	876
Increase (decrease) in share capital of minority shareholders in subsidiaries	(4,256)	4,850
Effect of dividends paid	(1,888)	(1,569)
Balance at 31 December	21,373	8,015

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 27 SHARE CAPITAL

As at 31 December 2006, the Bank's share capital comprised 109,039,200 ordinary registered shares with par value of LTL 1 each.

As of 31 December 2006, 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
Skandinaviska Enskilda Banken customer (East Capital Asset Management AB)	6.30
Prekybos Namai Aiva UAB	6.26
Gintaras Kateiva	5.91
Total	34.53

Another 15 shareholders had less than 5% but more than 1% of the Bank's share capital. The remaining shareholders on an individual basis had less than 1% of the Bank's shares and voting rights.

Seven shareholders of the Bank – European Bank for Reconstruction and Development, Prekybos Namai Aiva UAB, Mintaka UAB, Alita AB, Algirdas Butkus, Gintaras Kateiva and Arvydas Salda – acting jointly in accordance with the Agreement of Shareholders, together with related persons at the end of the year held 39.59 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 2006, the Bank had 2,539 shareholders (31 December 2005: 2,121).

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.

NOTE 28 CONTINGENT LIABILITIES AND COMMITMENTS

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

	2006		**2005**	
	Group	**Bank**	**Group**	**Bank**
Financial guarantees issued	52,721	52,721	52,405	52,405
Letters of credit	1,707	1,707	6,901	6,901
Commitments to grant loans	86,802	84,390	82,122	83,375
Commitments to grant finance lease and acquire assets	1,119	-	904	-
Property purchase commitments	135	135	3,019	3,019
Other commitments	-	-	11	-
Total	142,484	138,953	145,362	145,700

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 28 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

As at 31 December 2006 and as at 31 December 2005 there were no provisions made for possible costs related to commitments.

Contingent tax commitments

The Tax Authorities have not carried out a full-scope tax audit of the Bank over the period from 2001 to 2006. 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.

NOTE 29 DIVIDENDS

Dividends are declared during the annual general meeting of shareholders when appropriation of profit for the reporting period is performed. In 2006, the annual general meeting of shareholders decided to pay 2 % dividends (2005: 1%) to the holders of ordinary shares.

NOTE 30 CASH AND CASH EQUIVALENTS

	2006		2005	
	Group	Bank	Group	Bank
Cash	30,618	30,606	21,647	21,636
Other valuables	2	2	2	2
Correspondent accounts with other banks	27,414	27,414	11,575	11,575
Correspondent accounts with the Bank of Lithuania	6,269	6,269	44,347	44,347
Compulsory reserves with the Bank of Lithuania	57,255	57,255	9,687	9,687
Due from other banks and financial institutions (up to 3 months)	-	-	30,015	30,015
Total	121,558	121,546	117,273	117,262

NOTE 31 LIQUIDITY RISK

The structure of the Group's assets and liabilities by maturity as at 31 December 2006 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 balances with central banks	94,144	-	-	-	-	-	-	-	94,144
Due from other banks and financial institutions	27,507	11,425	15,065	1,909	3,257	-	-	18	59,181
Trading securities	-	-	-	1,893	-	2,950	3,643	4,088	12,574
Loans granted	-	54,936	83,511	78,210	129,842	316,700	221,617	-	884,816
Finance lease receivables	-	6,016	8,040	10,819	15,180	21,397	16,415	-	77,867
Investment securities									
- available-for-sale securities	-	-	-	-	-	-	-	515	515
- held-to-maturity securities	-	-	-	2,923	2,533	15,685	141,329	-	162,470
Intangible assets	-	-	-	-	-	-	-	1,600	1,600
Tangible fixed assets	-	-	-	-	-	-	-	48,454	48,454
Other assets	505	2,815	11,361	6,706	2,841	12,306	517	8,631	45,682
Total assets	122,156	75,192	117,977	103,437	153,653	369,038	383,521	62,329	1,387,303

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 31 LIQUIDITY RISK (CONTINUED)

	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
Liabilities and shareholders' equity									
Due to other banks and financial institutions	17,951	32,558	7,680	8,298	23,468	63,614	19,385	-	172,954
Deposits	280,636	127,448	152,562	143,874	170,922	36,721	9,116	-	921,279
Special and lending funds	326	2,418	508	1,019	3,861	8,766	25,907	-	42,805
Debts securities in issue	-	-	-	-	12,168	15,610	-	-	27,778
Tax liabilities	-	-	-	-	5,635	-	-	-	5,635
Deferred tax liabilities	-	-	-	-	243	-	-	-	243
Other liabilities	1,870	20,633	1,257	1,059	741	1,775	566	1,339	29,240
Shareholders' equity	-	-	-	-	-	-	-	165,996	165,996
Minority interest	-	-	-	-	-	-		21,373	21,373
Total liabilities and shareholders' equity	300,783	183,057	162,007	154,250	217,038	126,486	54,974	188,708	1,387,303
Net liquidity gap	(178,627)	(107,865)	(44,030)	(50,813)	(63,385)	242,552	328,547	(126,379)	-

The structure of the Group's assets and liabilities by maturity as at 31 December 2005 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	103,138	69,663	74,175	76,699	113,619	304,360	259,894	65,259	1,066,807
Liabilities and shareholders' equity	279,937	173,873	116,004	112,392	127,533	81,086	47,835	128,147	1,066,807
Net liquidity gap	(176,799)	(104,210)	(41,829)	(35,693)	(13,914)	223,274	212,059	(62,888)	

The structure of the Bank's assets and liabilities by maturity as at 31 December 2006 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 balances with central banks	94,132	-	-	-	-	-	-	-	94,132
Due from other banks and financial institutions	27,414	29,912	55,065	17,589	3,257	-	-	18	133,255
Trading securities	-	-	-	1,893	-	2,950	3,643	4,088	12,574
Loans granted	-	74,762	83,511	78,210	125,588	314,930	221,617	-	898,618
Investment securities									
- available-for-sale securities	-	-	-	-	-	-	-	515	515
- held-to-maturity securities	-	-	-	2,923	2,533	15,685	141,329	-	162,470
Investments in subsidiaries	-	-	-	-	-	-	-	6,654	6,654
Intangible assets	-	-	-	-	-	-	-	1,539	1,539
Tangible fixed assets	-	-	-	-	-	-	-	36,357	36,357
Other assets	505	1,270	196	249	419	538	444	569	4,190
Total assets	122,051	105,944	138,772	101,841	131,797	334,103	367,033	48,763	1,350,304

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 31 LIQUIDITY RISK (CONTINUED)

	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
Liabilities and shareholders' equity									
Due to other banks and financial institutions	17,953	27,558	7,680	8,298	23,468	63,614	19,385	-	167,956
Deposits	280,696	127,608	152,562	143,874	170,922	36,721	9,116	-	921,499
Special and lending funds	326	2,390	452	935	3,693	8,304	25,907	-	42,007
Debt securities issued	-	-	-	-	12,168	33,393	-	-	45,561
Other liabilities	1,870	13,800	1,108	358	1,053	1,061	502	1,339	21,091
Shareholders' equity	-	-	-	-	-	-	-	152,190	152,190
Total liabilities and shareholders' equity	300,845	171,356	161,802	153,465	211,304	143,093	54,910	153,529	1,350,304
Net liquidity gap	(178,794)	(65,412)	(23,030)	(51,624)	(79,507)	191,010	312,123	(104,766)	-

The structure of the Bank's assets and liabilities by maturity as at 31 December 2005 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	103,080	111,127	88,623	81,030	94,841	281,230	237,767	41,313	1,039,010
Liabilities and shareholders' equity	280,320	169,634	115,872	111,985	127,078	79,641	47,772	76,320	1,039,010
Net liquidity gap	(177,240)*	(58,507)	(27,249)	(30,955)	(32,237)	201,589	189,995	(35,007)	-

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 32 FOREIGN EXCHANGE TRANSACTIONS AND OPEN CURRENCY POSITIONS

The Group's open positions of prevailing currencies as at 31 December 2006 were as follows:

	USD	Other currencies	Total currencies*	EUR	LTL	Total
Assets						
Cash and balances with central banks	3,451	2,033	5,484	11,371	77,289	94,144
Due from other banks and financial institutions	5,750	670	6,420	22,463	30,298	59,181
Trading securities	-	-	-	4,674	7,900	12,574
Loans granted	19,543	-	19,543	101,677	763,596	884,816
Finance lease receivables	-	-	-	15,234	62,633	77,867
Investment securities						
- available-for-sale securities	-	-	-	-	515	515
- held-to-maturity securities	-	-	-	69,372	93,098	162,470
Intangible assets	-	-	-	-	1,600	1,600
Tangible fixed assets	-	-	-	-	48,454	48,454
Other assets	60	-	60	952	44,670	45,682
Total assets	28,804	2,703	31,507	225,743	1,130,053	1,387,303
Liabilities and shareholders' equity						
Due to other banks and financial institutions	73	-	73	93,139	79,742	172,954
Deposits	40,763	666	41,429	113,028	766,822	921,279
Special and lending funds	-	-	-	12,238	30,567	42,805
Income tax liabilities	-	-	-	-	5,635	5,635
Deferred tax liabilities	-	-	-	-	243	243
Debt securities issued	-	-	-	15,610	12,168	27,778
Uregistered capital	2,521	143	2,664	2,081	24,495	29,240
Shareholders' equity	-	-	-	-	165,996	165,996
Minority interest	-	-	-	-	21,373	21,373
Total liabilities and shareholders' equity	43,357	809	44,166	236,096	1,107,041	1,387,303
Net balance sheet position	(14,553)	1,894	(12,659)	(10,353)	23,012	-
Currency exchange swaps	14,467	-	14,467	-	(14,374)	93
Net open position	(86)	1,894	1,808	(10,353)	8,638	93

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 32 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (CONTINUED)

The Group's open positions of prevailing currencies as at 31 December 2005 were as follows:

	USD	Other currencies	Total currencies*	EUR	LTL	Total
Assets	32,460	2,932	35,392	165,179	866,236	1,066,807
Liabilities and shareholders' equity	45,840	644	46,484	176,659	843,664	1,066,807
Net balance sheet position	(13,380)	2,288	(11,092)	(11,480)	22,572	-
Off-balance sheet position	13,387	(947)	12,440	1,167	(13,621)	
Net open position	7	1,341	1,348	(10,313)	8,951	-

The Bank's open positions of prevailing currencies as at 31 December 2006 were as follows:

	USD	Other currencies	Total currencies*	EUR	LTL	Total
Assets						
Cash and balances with central banks	3,451	2,033	5,484	11,371	77,277	94,132
Due from other banks and financial institutions	5,750	670	6,420	34,475	92,360	133,255
Trading securities	-	-	-	4,674	7,900	12,574
Loans granted (before provisions)	19,543	-	19,543	101,677	777,398	898,618
Investment securities						
- available-for-sale securities	-	-	-	-	515	515
- held-to-maturity securities	-	-	-	69,372	93,098	162,470
Investments in subsidiaries	-	-	-	-	6,654	6,654
Intangible assets	-	-	-	-	1,539	1,539
Tangible fixed assets	-	-	-	-	36,357	36,357
Other assets	59	-	59	952	3,179	4,190
Total assets	28,803	2,703	31,506	222,521	1,096,277	1,350,304
Liabilities and shareholders' equity						
Due to other banks	73	-	73	93,139	74,744	167,956
Deposits	40,763	666	41,429	113,028	767,042	921,499
Special and lending funds	-	-	-	12,238	29,769	42,007
Debt securities issued	-	-	-	33,393	12,168	45,561
Other liabilities	2,521	143	2,664	2,081	16,346	21,091
Shareholders' equity	-	-	-	-	152,190	152,190
Total liabilities and shareholders' equity	43,357	809	44,166	253,879	1,052,259	1,350,304
Net balance sheet position	(14,554)	1,894	(12,660)	(31,358)	44,018	-
Off-balance sheet position	14,467	-	14,467	-	(14,374)	
Net open position	(87)	1,894	1,807	(31,358)	29,644	-

The Bank's open positions of prevailing currencies as at 31 December 2005 were as follows:

	USD	Other currencies	Total currencies*	EUR	LTL	Total
Assets	32,460	2,932	35,392	162,948	840,670	1,039,010
Liabilities and shareholders' equity	45,874	644	46,518	176,659	815,833	1,039,010
Net balance sheet position	(13,414)	2,288	(11,126)	(13,711)	24,837	-
Off-balance sheet position	13,387	(947)	12,440	1,167	(13,621)	
Net position	(27)	1,341	1,314	(12,544)	11,216	-

*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 extended 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)

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 33 INTEREST RATE RISK

The table below summarizes the Group's and Bank's interest rate risks as at 31 December 2006. The Bank's assets and liabilities shown at their carrying amounts categorized by the earlier of contractual reprising or maturity dates. Details of the Group's interest rate risk as at 31 December 2006 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 balances with central banks	-	-	-	-	-	94,144	94,144
Due from other banks and financial institutions	11,054	15,065	1,909	3,257	-	27,896	59,181
Trading securities	-	-	1,893	-	6,593	4,088	12,574
Loans granted	95,650	241,390	409,169	62,755	63,033	12,819	884,816
Finance lease receivables	4,466	8,040	10,819	15,180	37,812	1,550	77,867
Investment securities							
- available-for-sale securities	-	-	-	-	-	515	515
- held-to-maturity securities	-	-	2,923	2,533	157,014	-	162,470
Intangible assets	-	-	-	-	-	1,600	1,600
Tangible fixed assets	-	-	-	-	-	48,454	48,454
Other assets	-	-	-	-	-	45,682	45,682
Total assets	111,170	264,495	426,713	83,725	264,452	236,748	1,387,303
Liabilities and shareholders' equity							
Due to other banks and financial institutions	27,985	58,594	30,672	10,877	5,800	39,026	172,954
Deposits	127,331	152,468	143,893	170,909	45,832	280,846	921,279
Special and lending funds	13,506	15,508	1,019	3,231	8,955	586	42,805
Current income tax liabilities	-	-	-	-	-	5635	5635
Deferred income tax liabilities	-	-	-	-	-	243	243
Other liabilities	-	-	-	12,168	15,610	29,240	57018
Shareholders' equity	-	-	-	-	-	165,996	165,996
Minority interest	-	-	-	-	-	21,373	21,373
Total liabilities and shareholders' equity	168,822	226,570	175,584	197,185	76,197	542,945	1,387,303
Interest rate sensitivity gap	(57,652)	37,925	251,129	(113,460)	188,255	(306,197)	-

Details of the Group's interest rate risk as at 31 December 2005 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	124,010	160,785	318,833	73,673	182,611	206,896	1,066,807
Total liabilities and shareholders' equity	189,248	155,938	130,408	142,873	20,505	427,835	1,066,807
Interest rate sensitivity gap	(65,238)	4,847	188,425	(69,200)	162,106	(220,939)	-

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 2006

			In %
	USD	**EUR**	**LTL**
Assets			
Due from other banks and financial institutions	0.49	2.01	4.08
Debt securities	-	4.35	4.47
Finance lease receivables	-	6.19	9.89
Loans granted (before provisions)	6.30	6.16	5.85
Liabilities			
Due to other banks and financial institutions	0	4.57	3.54
Deposits	3.25	3.28	2.68

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 33 INTEREST RATE RISK (CONTINUED)

Details of the Bank's interest rate risk as at 31 December 2006 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 balances with central banks	-	-	-	-	-	94,132	94,132
Due from other banks and financial institutions	29,541	55,065	17,589	3,257	-	27,803	133,255
Trading securities	-	-	1,893	-	6,593	4,088	12,574
Loans granted (before provisions)	115,639	241,390	409,169	58,501	61,263	12,656	898,618
Available-for-sale securities	-	-	-	-	-	515	515
Held-to-maturity securities	-	-	2,923	2,533	157,014	-	162,470
Investments in subsidiaries	-	-	-	-	-	6,654	6,654
Intangible assets	-	-	-	-	-	1,539	1,539
Tangible fixed assets	-	-	-	-	-	36,357	36,357
Other assets (before provisions)	-	-	-	-	-	4,190	4,190
Total assets	145,180	296,455	431,574	64,291	224,870	187,934	1,350,304
Liabilities and shareholders' equity							
Due to other banks and financial institutions	27,987	53,594	30,672	10,877	5,800	39,026	167,956
Deposits	127,491	152,468	143,893	170,909	45,832	280,906	921,499
Special and lending funds	13,478	15,452	935	3,063	8,493	586	42,007
Other liabilities	-	-	-	12,168	33,393	21,091	66,652
Shareholders' equity	-	-	-	-	-	152,190	152,190
Total liabilities and shareholders' equity	168,956	221,514	175,500	197,017	93,518	493,799	1,350,304
Interest rate sensitivity gap	(23,776)	74,941	256,074	(132,726)	131,352	(305,865)	-

Details of the Bank's interest rate risk as at 31 December 2005 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	165,825	183,840	326,391	58,194	152,056	152,704	1,039,010
Liabilities and shareholders' equity	189,220	155,882	130,324	142,701	19,709	401,174	1,039,010
Interest rate sensitivity gap	(23,395)	27,958	196,067	(84,507)	132,347	(248,470)	-

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 2005

In %

	USD	EUR	LTL
Assets			
Due from other banks and financial institutions	2.03	2.77	3.91
Debt securities	-	4.34	4.55
Finance lease receivables	8.00	5.41	8.38
Loans granted (before provisions)	6.17	5.36	5.37
Liabilities			
Due to other banks and financial institutions	0.61	3.30	2.56
Deposits and special lending funds	2.27	2.21	2.25

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 34 RELATED PARTY TRANSACTIONS

Related parties with the Bank include the members of the Supervisory Council and Board of the Bank, shareholders acting jointly in accordance with with the Agreement of Shareholders (refer to the note 27), the close family members of the above mentioned related parties and subsidiary companies of the Bank.

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

During 2006, a certain number of banking transactions were entered into with related parties in the ordinary course of business. These transactions include settlements, loans, deposits and foreign currency transactions.

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

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	31 December 2006	31 December 2005	2006	2005	31 December 2006	31 December 2005	2006	2005
Members of the Council and the Board	956	1,558	2.71	2.59	1,226	1,755	5.44	4.87
Other related parties (without subsidiaries of the Bank)	154	16,860	0.29	2.03	13,524	13,274	5.23	5.77

Transactions with EBRD:

The Bank has received a syndicated loan from the EBRD with its balance as at 31 December 2006 amounting to EUR 12 million, of which EBRD's share as at 31 December 2006 was LTL 17.264 thousand. Gross loan to EBRD as at 31 December 2006 was LTL 17,507 thousand (2005: LTL 11,571 thousand). Interest and other expenses related to loan during 2006 amounted to LTL 763 thousand (2005: LTL 137 thousand).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 34 RELATED PARTY TRANSACTIONS (CONTINUED)

Balances with the subsidiaries are given below:

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	31 December 2006	31 December 2005	2006	2005	31 December 2006	31 December 2005	2006	2005
Non-financial institutions	220	22	0.45	0.00	19,989	29,791	4.50	4.48
Financial institutions	2	361	0.00	0.32	74,167	62,445	4.17	4.14

Transactions with subsidiaries: UAB Šiaulių Banko Turto Fondas (the Bank holding is 53.10 %, LTL 531 thousand), UAB Pajūrio Alka (the Bank's holding is 99.85 %, LTL 4.519 thousand), UAB Šiaulių Banko Investicijų Valdymas (the Bank's holding is 60.4%, LTL 604 thousand), UAB Šiaulių Banko Lizingas (the Bank's holding is 100%, LTL 1.000 thousand).

Assets	**2006**	**2005**
Demand deposits		-
Loans	94,156	92,236
Debt securities	17,783	-
Equity securities	-	-
Other assets	43	73
Liabilities and shareholders' equity		
Demand deposits	221	383
Loans	-	-
Debt securities	-	-
Other liabilities	-	1
Bank's investment	6,654	6,664

Income and expenses from transactions with subsidiaries:

Income	**2006**	**2005**
Interest	3,994	2,861
Commission income	434	350
Income from foreign exchange trading	29	-
Other income	293	-
Expenses		
Interest	441	1
Commission charges	-	-
Operating expenses	-	64

Remuneration of the management of the Bank

During 2006 the amount of salaries and bonuses including social security and guarantee fund payments to Board members of the Bank totalled LTL 1,410 thousand (2005: LTL 1,434 thousand). The amount of payments to Supervisory council of the Bank amounted to LTL 280 thousand (2005: LTL 280 thousand).

NOTE 35 CONCENTRATION EXPOSURE

As at 31 December 2006 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 24.1 million (the whole amount represents commitments to provide credit facilities), i.e. 17.74 % of the Bank's calculated capital (2005: LTL 21.3 million and 24.35% of the Bank's calculated capital).