ŠIAULIŲ BANKAS

FINANCIAL STATEMENTS

31 MARCH 2008

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

THE GROUP'S AND BANK'S BALANCE SHEET

	Notes	31 March 2008 Group	31 March 2008 Bank	31 December 2007 Group	31 December 2007 Bank
Assets					
Cash and cash equivalents	2	238 128	238 102	230 540	230 528
Due from other banks	3	645	645	593	593
Trading securities	6	40 161	8 717	41 134	9 539
Loans to customers	4	1 415 697	1 569 193	1 385 835	1 540 637
Finance lease receivables	5	120 967	-	121 605	-
Investment securities:					
- available-for-sale	6	26 715	26 715	13 726	13 726
- held-to-maturity	6	155 976	155 976	164 163	164 163
Investments in subsidiaries	6	-	2 135	-	2 135
Intangible assets		1 133	1 115	1 251	1 227
Tangible fixed assets		53 358	46 152	51 279	45 204
Prepaid income tax		2 221	-	2 043	-
Other assets	7	38 053	13 894	40 208	5 394
Total assets		**2 093 054**	**2 062 644**	**2 052 377**	**2 013 146**
Liabilities					
Due to other banks and financial institutions	8	434 748	425 969	463 595	454 671
Due to customers	9	1 287 274	1 287 269	1 217 008	1 216 942
Special and lending funds	10	33 737	33 527	36 550	36 092
Debt securities in issue	11	28 879	28 879	28 550	28 550
Derivative financial instruments		-	-	119	119
Current income tax liabilities		1 053	794	1 156	930
Deferred income tax liabilities		225	225	225	225
Other liabilities	12	17 945	8 198	15 968	6 000
Total liabilities		**1 803 861**	**1 784 861**	**1 763 171**	**1 743 529**
Equity					
Capital and reserves attributable to equity holders of the parent					
Share capital	13	161 033	161 033	161 033	161 033
Share premium		65 006	65 006	65 006	65 006
Reserve capital		2 611	2 611	2 611	2 611
Statutory reserve		3 683	3 405	1 743	1 445
Financial assets revaluation reserve		635	635	360	360
Retained earnings		51 053	45 093	49 824	39 162
		284 021	277 783	280 577	269 617
Minority interest	14	5 172	-	8 629	-
Total equity		289 193	277 783	289 206	269 617
Total liabilities and equity		**2 093 054**	**2 062 644**	**2 052 377**	**2 013 146**

The notes on pages 9 – 27 constitute an integral part of these financial statements

Chairman of the Bord — Algirdas Butkus

Chief Financial Officer — Vita Adomaitytė

30 May 2008

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

THE GROUP'S AND BANK'S INCOME STATEMENT

		31 March 2008		31 March 2007	
	Notes	**Group**	**Bank**	**Group**	**Bank**
Interest and similar income	15	32 811	31 248	19 635	18 134
Interest expense and similar charges	15	(20 772)	(20 654)	(10 561)	(10 646)
Net interest income		**12 039**	**10 594**	**9 074**	**7 488**
Fee and commission income	16	3 243	3 326	3 478	3 575
Fee and commission expense	16	(1 218)	(1 192)	(1 234)	(1 210)
Net fee and commission income		**2 025**	**2 134**	**2 244**	**2 365**
Impairment charge for credit losses		(1 424)	(1 245)	(231)	(106)
Net gain on operations with securities		6 386	(497)	1 996	(113)
Net foreign exchange gain		525	528	716	717
Gain on disposal of assets		23	2	37	37
Other income		298	127	1 726	113
Administrative and other operating expenses	17	(10 891)	(9 328)	(9 576)	(7 849)
Operating profit		**8 981**	**2.315**	**5 986**	**2 652**
Dividends from investments in subsidiaries		-	8 797	-	7 114
Profit before income tax		8 981	11 112	5 986	9 766
Income tax expense		55	-	(1 086)	(600)
Profit for the year		**9 036**	**11 112**	**4 900**	**9 166**
Profit is attributable to:					
Equity holders of the Bank		6 390	11 112	3 728	9 166
Minority interest	14	2 646	-	1 172	-
Profit for the year		**9 036**	**11 112**	**4 900**	**9 166**
Basic and diluted earnings per share, net (in LTL per share)	13	0,04	0,06	0,03	0,08

The notes on pages 9 – 27 constitute an integral part of these financial statements

Chairman of the Bord Algirdas Butkus

Chief Financial Officer Vita Adomaitytė

30 May 2008

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

THE GROUP'S AND BANK'S CASH FLOW STATEMENT

		31 March 2008		31 March 2007	
	Notes	**Group**	**Bank**	**Group**	**Bank**
Operating activities					
Interest received		32 811	31 248	19 072	17 571
Interest paid		(20 772)	(20 654)	(9 317)	(9 402)
Cash received from previously written-off loans		37	10	45	27
Net cash received from operations in foreign currency		516	518	674	674
Net cash received from operations in securities		29	1	(96)	(96)
Net cash received from service and commission fees		2 025	2 134	2 244	2 365
Salaries and related payments to and on behalf of employees		(5 136)	(6 059)	(5 463)	(4 652)
Other receipts		321	190	1 763	150
Other payments		(6 942)	(3 728)	(4 241)	(3 439)
Net cash flow from operating activities before change in short-term assets and liabilities		**2 889**	**3 660**	**4 681**	**3 198**
(Increase) decrease in assets:					
(Increase) in loans to credit and financial institutions		(1 579)	(1 755)	(11 672)	(18 784)
(Increase) in loans to customers		(28 777)	(28 103)	(94 761)	(92 811)
Decrease in trading securities		436	285	(15 176)	(5 312)
(Increase) decrease in other assets		5 679	314	(2 659)	(152)
Change in assets		**(24 241)**	**(29 259)**	**(124 268)**	**(117 059)**
Increase in liabilities					
Increase in liabilities to credit and financial institutions		(28 847)	(28 702)	(4 714)	(7 684)
Increase in deposits, special and leanding funds		65 860	55 136	106 101	103 351
Increase in other liabilities		(664)	12 610	1 859	(5 128)
Change in liabilities		**36 349**	**39 044**	**103 246**	**92 539**
Net cash flow from/(used in) operating activities before tax		14 997	13 445	(16 341)	(21 322)
Income tax paid		(134)	(136)	(849)	(61)
Net cash flow from operating activities		**14 863**	**13 309**	**(17 190)**	**(21 383)**
Investing activities					
Purchase of tangible and intangible fixed assets		(2 819)	(1 636)	(1 624)	(1 500)
Disposal of tangible and intangible fixed assets		61	61	342	342
Acquisition of available-for-sale securities		(14 218)	(14 218)	-	-
Disposal of available-for-sale securities		1 505	1 505	-	-
Acquisition of held to maturity securities		(1 933)	(1 933)	(326)	(326)
Proceeds from redemption of held to maturity securities		10 120	10 120	2 451	2 451
Dividends received		3 138	38	2 109	604
Net cash used in investing activities		**(4 146)**	**(6 063)**	**2 952**	**1 571**
Financing activities					
Increase in share capital		-	-	-	-
Dividends paid		(1)	(1)	(3)	(3)
Payment to minority shareholders		(3 457)	-	(14 229)	-
Debt securities issued		-	-	-	-
Debt securities repurchased and redeemed		329	329	3 284	(5 366)
Net cash flow from financing activities		**(3 129)**	328	**(10 948)**	(5 369)
Net increase in cash and cash equivalents		**7 588**	**7 574**	**(25 186)**	**(25 181)**
Cash and cash equivalents at 1 January		**230 540**	**230 528**	**121 558**	**121 546**
Cash and cash equivalents at 31 March	2	**238 128**	**238 102**	**96 372**	**96 365**

The notes on pages 9 – 27 constitute an integral part of these financial statements

Chairman of the Bord Algirdas Butkus

Chief Financial Officer Vita Adomaitytė

30 May 2008

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

THE GROUP’S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of the Bank							
	Share capital	Share premium	Reserve capital	Statutory reserve and other reserve	Retained earnings	Total:	Minority interest	Total equity
31 December 2006	109 039	25 000	2 611	927	28 419	165 996	21 373	187 369
Dividends	-	-	-	-	(2 181)	(2 181)	-	(2 181)
Dividends to minority	-	-	-	-	-	-	(14 229)	(14 229)
Formation of statutory reserve	-	-	-	816	(816)	-	-	
Bonus issue of share capital	11 994	(11 994)	-	-	-	-	-	-
Issue of share capital	40 000	52 000	-	-	-	92 000	-	92 000
Financial assets revaluation reserve	-	-	-	436	-	436	-	436
Recognition of deferred income tax	-	-	-	(76)	-	(76)	-	(76)
Decrease in share capital of minority shareholders in subsidiaries	-	-	-	-	-	-	(574)	(574)
Profit for the year	-	-	-	-	24 402	24 402	2 059	26 461
31 December 2007	161 033	65 006	2 611	2 103	49 824	280 577	8 629	289 206
Dividends	-	-	-	-	(3 221)	(3 221)	-	(3 221)
Dividends to minority	-	-	-	-	-	-	(6 103)	(6 103)
Financial assets revaluation reserv	-	-	-	275	-	275	-	275
Formation of statutory reserve	-	-	-	1 940	(1 940)	-	-	-
Profit for the year	-	-	-		6 390	6 390	2 646	9 036
31 March 2008	161 033	65 006	2 611	4 318	51 053	284 021	5 172	289 193

Chairman of the Bord Algirdas Butkus

Chief Financial Officer Vita Adomaitytė

30 May 2008

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Reserve capital	Financial assets revaluation reserve	Statutory reserve	Retained earnings	Total
31 December 2006	109 039	25 000	2 611	-	700	14 840	152 190
Dividends	-	-	-	-	-	(2 181)	(2 181)
Financial assets revaluation reserve	-	-	-	436	-	-	436
Recognition of deferred income tax	-	-	-	(76)	-	-	(76)
Formation of statutory reserve	-	-	-	-	745	(745)	-
Issue of share capital from share premium	11 994	(11 994)	-	-	-	-	-
Issue of share capital	40 000	52 000	-	-	-	-	92 000
Profit for the year	-	-	-	-	-	27 248	27 248
31 December 2007	161 033	65 006	2 611	360	1 445	39 162	269 617
Dividends	-	-	-	-	-	(3 221)	(3 221)
Formation of statutory reserve	-	-	-	-	1 960	(1 960)	-
Financial assets revaluation reserve	-	-	-	275	-	-	275
Profit for the year	-	-	-	-	-	11 112	11 112
31 March 2008	161 033	65 006	2 611	635	3 405	45 093	277 783

Chairman of the Bord Algirdas Butkus

Chief Financial Officer Vita Adomaitytė

30 February 2008

GENERAL INFORMATION

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

The Head Office of the Bank is located in Šiauliai, Tilžės str. 149, LT-76348. As at 31 March 2008 the Bank had 503 employees (31 December 2007: 483). As at 31 March 2008 the Group had 559 employees (31 December 2007: 535 employees).

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

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

Basis of preparation

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

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

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

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

Financial risk management

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

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

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

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

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

NOTE 1 CREDIT INSITITUTION ACTIVITIES

The bank's Head Office is located in Šiauliai. The bank has 14 branches in Kelmė, Klaipėda, Kuršėnai, Mažeikiai, Palanga, Šilutė, Vilnius, Alytus, Utena, Kaunas, Druskininkai, Panevėžys, Šiauliai, Radviliškis and 46 client service centres.
As of 31st March 2008 the number of the bank's clients included 236 municipal companies and government companies, 27 state companies, 44 agricultural company, 30 economic partnership, 3.711 limited liability public companies, 1.621 private companies, 413 non-profit making and public sector companies and 895 other organizations as well as 109 666 natural entities.
As of 31st December 2007 and 31st March 2008 the bank controlled 4 subsidiaries: "Šiaulių banko lizingas" UAB (financial and operational leasing), "Šiaulių banko investicijų valdymas" UAB (investment management), "Šiaulių banko turto fondas" UAB (real estate management), "Pajūrio alka" UAB (hotel servise). The bank owns 100% of "Šiaulių banko lizingas" UAB (nominal share value – LTL 1,000 thou), 60.4% of "Šiaulių banko investicijų valdymas" UAB (nominal share value – LTL 604 thou), 53.1% of "Šiaulių banko turto fondas" UAB (nominal share value – LTL 531 thou)..

The consolidated statements of the Group include financial statements of the bank and its subsidiaries.
"Pajūrio alka" UAB is sold in May 2007.

NOTE 2 CASH AND CASH EQUIVALENTS

	Group 31 March 2008	Bank 31 March 2008	Group 31 Decembe r 2007	Bank 31 Decembe r 2007
Cash and other valuables	43 460	43 456	43 325	43 323
Mandatory reserves in national currency	78 128	78 128	74 488	74 488
Correspondent bank accounts	29 716	29 716	26 727	26 727
Banks time deposits	68 999	68 977	12 574	12 564
Correspondent account with central bank	17 825	17 825	73 426	73 426
Total:	**238 128**	**238 102**	**230 540**	**230 528**

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

NOTE 3 DUE FROM OTHER BANKS

	Group 31 March 2008	Bank 31 March 2008	Group 31 December 2007	Bank 31 December 2007
Due from other banks	645	645	593	593
Total:	**645**	**645**	**593**	**593**

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

NOTE 4 LOANS TO CUSTOMERS

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

Credit risk exposures relating to on-balance sheet assets are as follows:	31-03-2008 Group	31-03-2008 Bank	31-12-2007 Group	31-12-2007 Bank
Cash and balances with central banks	**194 669**	**194 647**	**187 215**	**187 205**
Loans and advances to banks	**645**	**645**	**593**	**593**
Loans and advances to customers:	**1 415 697**	**1 569 193**	**1 507 440**	**1 540 637**
Loans and advances to financial institutions	28 618	150 876	27 060	149 142
Loans to individuals (Retail)	291 024	280 758	284 460	274 677
Loans to business customers	1 096 055	1 137 559	1 074 315	1 116 818
Finance lease receivables	**120 967**	**-**	**121 605**	**-**
Trading assets:				
- Debt securities	10 791	4 727	12 309	6 363
- Equity securities	29 370	3 990	28 825	3 176
Derivative financial instruments	-	-	-	-
Securities available for sale				
- Debt securities	25 274	25 274	12 170	12 170
- Equity securities	1 441	1 441	1 556	1 556
Investment securities held to maturity				
- Debt securities	155 976	155 976	164 163	164 163
Other financial assets	1 2 233	450	14 236	611
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	72 733	72 733	89 809	89 809
Letters of credit	8 682	8 682	8 387	8 387
Loan commitments and other credit related liabilities	122 031	123 084	118 074	112 868
At 31 March/December	**2 170 509**	**2 160 842**	**2 144 777**	**2 127 538**

Loans and advances are summarised as follows:

	31-03-2008 Group	31-03-2008 Bank	31-12-2007 Group	31-12-2007 Bank
Business customers	1 131 933	1 295 695	1 107 637	1 272 222
Individuals	292 590	281 901	285 744	275 585
Gross	**1 424 523**	**1 577 596**	**1 393 381**	**1 547 807**
Less: allowance for impairment	8 826	8 403	7 546	7 170
Net	**1 415 697**	**1 569 193**	**1 385 835**	**1 540 637**

	31-03-2008 Group	31-03-2008 Bank	31-12-2007 Group	31-12-2007 Bank
Neither past due nor impaired	1 210 510	1 313 643	1 253 295	1 410 748
Past due but not impaired	114 542	165 987	70 586	69 248
Impaired	99 471	97 966	69 500	67 811
Gross	**1 424 523**	**1 577 596**	**1 393 381**	**1 547 807**
Less: allowance for impairment	8 826	8 403	7 546	7 170
Net	**1 415 697**	**1 569 193**	**1 385 835**	**1 540 637**

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

Neither past due nor impaired loan – is a loan to which a loss event is not recognized and the borrower is not past due with the loan payments (on a principal or interest).

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

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

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

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

Loans and advances neither past due nor impaired

	31-03-2008		31-12-2007	
	Group	**Bank**	**Group**	**Bank**
Past due up to 30 days	86 705	138 150	59 484	58 146
Past due 30-60 days	22 833	22 833	7 379	7 379
Past due 60-90 days	5 004	5 004	3 723	3 723
Gross	**114 542**	**165 987**	**70 586**	**69 248**

Loans and advances impaired

	31-03-2008		31-12-2007	
	Group	**Bank**	**Group**	**Bank**
Impaired loans	99 471	97 966	69 500	67 811
Fair value of collateral	225 107	225 107	186 913	186 913

NOTE 5 FINANCE LEASE RECEIVABLES

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

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

Finance lease receivables are summarised as follows:

	31-03-2008	**31-12-2007**
Business customers	88 991	88 605
Individuals	32 900	34 124
Gross	**121 891**	**122 729**

	31-03-2008	**31-12-2007**
Neither past due nor impaired	74 161	78 572
Past due but not impaired	10 014	10 609
Impaired	37 716	33 548
Gross	**121 891**	**122 729**
Less: allowance for impairment	924	1 124
Net	**120 967**	**121 605**

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

	31-03-2008			31-12-2007		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Finance lease receivables by sector:						
- transport vehicles	2 592	24 882	27 474	2 446	25 369	27 815
- residential real estate	48	21 579	21 627	88	20 569	20 657
- airplanes	-	11 515	11 515	-	11 756	11 756
- production equipment	191	14 471	14 662	164	14 987	15 151
- other equipment	17 576	11 398	28 974	21 287	10 681	31 968
- other assets	12 493	5 146	17 639	10 139	5 243	15 382
Total	**32 900**	**88 991**	**121 891**	**34 124**	**88 605**	**122 729**

NOTE 6 SECURITIES

Trading securities		**31 March 2008**		**31 December 2007**
	Group	**Bank**	**Group**	**Bank**
Debt securities:				
Private enterprise bonds	6 064	-	5 946	-
Government bonds	4 727	4 727	6 363	6 363
Equity securities:				
Listed	1 674	1 674	393	393
Unlisted	25 419	39	25 688	39
Units of funds	2 277	2 277	2 744	2 744
Total:	**40 161**	**8 717**	**41 134**	**9 539**

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

Rating		**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
AAA	-	-	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-	-	-
FROM A- TO A+	4 727	6 363	-	-	-	-	-	-
BELOW A-	-	-	-	-	-	-	-	-
NO RATING	-	-	-	-	1 713	432	2 277	2 744
TOTAL	**4 727**	**6 363**	**-**	**-**	**1 713**	**432**	**2 277**	**2 744**

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

Rating		**Treasury bills**		**Corporate debt securities**		**Corporate equity securities**		**Investment fund units**
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
AAA	-	-	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-	-	-
FROM A- TO A+	4 727	6 363	-	-	-	-	-	-
BELOW A-	-	-	-	-	-	-	-	-
NO RATING	-	-	6 064	5 946	27 093	26 081	2 277	2 744
TOTAL	**4 727**	**6 363**	**6 064**	**5 946**	**27 093**	**26 081**	**2 277**	**2 744**

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

Investment securities		**31 March 2008**		**31 December 2007**
	Group	**Bank**	**Group**	**Bank**
Bonds:				
Private enterprise bonds the Republic of Lithuania	10 008	10 008	-	-
Government bonds of foreign states (rating AAA)	15 266	15 266	12 170	12 170
Securities available-for-sale:				
Unlisted equity securities	515	515	515	515
Units of funds	926	926	1 041	1041
Total :	**26 715**	**26 715**	**13 726**	**13 726**

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

Securities held-to-maturity		**31 March 2008**		**31 December 2007**
	Group	**Bank**	**Group**	**Bank**
Bonds of non-residents	8 358	8 358	8 358	8 358
Government bonds of foreign states	23 392	23 392	23 429	23 429
Government bonds of the Republic of Lithuania	112 398	112 398	120 728	120 728
Bonds of residents	11 828	11 828	11 648	11 648
Total investment securities:	**155 976**	**155 976**	**164 163**	**164 163**

Rating		**Treasury bills**		**Municipality debt securities**		**Corporate debt securities**
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
AAA	-	-	-	-	-	-
FROM AA- TO AA+	-	-	-	-	-	-
FROM A- TO A+	135 038	143 413	-	-	2 711	2 681
BELOW A-	-	-	753	744	6 489	6 532
NO RATING	-	-	-	-	10 985	10 793
TOTAL	135 038	143 413	753	744	20 185	20 006

Investments in subsidiaries			**31 March 2008**			**31 December 2007**
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 Turto Fondas UAB	53.1%	531	531	53,10%	531	531
Total :			**2 135**			**2 135**

"Pajūrio alka" UAB is sold in May 2007.

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

NOTE 7 OTHER ASSETS

	31 March 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Assets held for sale and real estate projects under development	12 865	-	16 531	-
Amounts receivable	12 233	450	14 236	611
Deferred expenses	3 341	3 316	3 378	3 337
Prepayments	4 531	701	4 699	1 021
Foreclosed assets	45	45	45	45
Dividends receivable	3 755	8 797	-	-
Other	1 283	585	1 319	380
Total:	**38 053**	**13 894**	**40 208**	**5 394**

NOTE 8 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 March 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Correspondent accounts and deposits of other banks and financial institutions:				
Correspondent accounts and demand deposits	33 784	34 006	89 938	90 014
Time deposits	94 994	94 994	65 437	65 437
Total correspondent accounts and deposits of other banks and financial institutions	**128 778**	**129 000**	**155 375**	**155 451**
Loans received:				
Loans from other banks	222 450	213 449	223 837	214 837
Loans from international organisations	83 520	83 520	84 383	84 383
Total loans received	**305 970**	**296 969**	**308 220**	**299 220**
Total:	**434 748**	**425 969**	**463 595**	**454 671**

NOTE 9 DUE TO CUSTOMERS

	31 March 2008		31 December 2007	
	Group	**Bankas**	**Group**	**Bankas**
Demand deposits:				
National government institutions	4 570	4 570	3 571	3 571
Local government institutions	37 400	37 400	24 579	24 579
Governmental and municipal companies	7 451	7 451	5 856	5 856
Corporate entities	100 246	100 335	136 984	137 022
Non-profit organisations	6 651	6 651	7 583	7 583
Individuals	121 411	121 411	117 239	117 239
Unallocated amounts due to customers	12 626	12 626	11 033	11 033
Total demand deposits:	**290 355**	**290 444**	**306 845**	**306 883**
Time deposits:				
National government institutions	14 541	14 541	15 378	15 378
Local government institutions	12 440	12 440	9 606	9 606
Governmental and municipality companies	94 727	94 727	86 499	86 499
Corporate entities	133 026	132 932	113 588	113 484
Non-profit organisations	4 595	4 595	4 875	4 875
Individuals	737 590	737 590	680 217	680 217
Total time deposits:	**996 919**	**996 825**	**910 163**	**910 059**
Total:	**1 287 274**	**1 287 269**	**1 217 008**	**1 216 942**

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

NOTE 10 SPECIAL AND LENDING FUNDS

	31 March 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Special funds	363	363	217	217
Lending funds	33 374	33 164	36 333	35 875
Total:	**33 737**	**33 527**	**36 550**	**36 092**

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

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

NOTE 11 DEBT SECURITIES IN ISSUE

	31 March 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Short term debenture bonds denominated in LTL with discount rate of 5.2 per cent, maturity 05-08-2008	9 501	9 501	9 382	9 382
Two year bonds denominated in EUR with coupon rate of 4.6 per cent, maturity 17-05-2008	19 378	19 378	19 168	19 168
Total :	**28 879**	**28 879**	**28 550**	**28 550**

NOTE 12 OTHER LIABILITIES

	31 March 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Accrued charges	4 553	3 859	4 922	4 422
Deferred income	1 359	475	1 636	437
Advances received from the buyers of assets	3 216	-	3 180	-
Amounts payable for finance lease agreements	4 015	-	4 977	-
Payable dividends	3 289	3 289		
Other	1 513	575	1 253	1 141
Total:	**17 945**	**8 198**	**15 968**	**6 000**

NOTE 13 SHARE CAPITAL

As at 31 March 2008, the Bank's share capital comprised 161,033,512 ordinary registered shares with par value of LTL 1 each.

A resolution to increase the bank's authorized capital by LTL 19.324.021 and to issue the same number of ordinary registered shares with the par value of LTL1 each was made during the General Shareholders' Meeting of Šiaulių bankas AB held on March 27th 2007.

As of 31 March 2008, the shareholders holding over 5% of the Bank's shares with voting rights are listed in the table below:

Shareholders	**Percentage of shares with voting rights, %**
European Bank for Reconstruction and Development	16,06
Gintaras Kateiva	5,86
Prekybos Namai Aiva UAB	5,18
Total:	**27,10**

Another 16 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 39,78 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 March 2008, the Bank had 3 721 shareholder (31 December 2007- 3 495).

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

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

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

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

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

Bank	**31 March 2008**	**31 March 2007**
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	11 112	9 166
Weighted average number of issued shares (thousand of shares)	180 358	121 033
Earnings per share (in LTL per share)	**0,06**	**0,08**

Group	**31 March 2008**	**31 March 2007**
Profit for the year attributable to equity holders of the Bank (in LTL thousand)	6 390	3 728
Weighted average number of issued shares (thousand of shares)	180 358	121 033
Earnings per share (in LTL per share)	**0,04**	**0,03**

NOTE 14 MINORITY INTEREST

	31 March 2008	**31 March 2007**
	Group	**Group**
Balance at 1 January	**8 629**	**21 373**
Profit for the accounting period	2 646	2 059
Effect of dividends paid	(6 103)	(14 229)
Increase (decrease) in minority interest	-	(574)
Balance at 1 January/31 December	**5 172**	**8 629**

NOTE 15 NET INTEREST INCOME

	31 March 2008		31 March 2007	
	Group	**Bank**	**Group**	**Bank**
Interest income:				
on loans to other banks and financial institutions and placements with credit institutions	3 085	3 085	684	1 473
on loans to customers	24 376	26 037	14 929	14 787
on debt securities	2 244	2 126	1 874	1 874
on finance leases	3 106	-	2 148	-
Total interest income	**32 811**	**31 248**	**19 635**	**18 134**
Interest expense:				
on liabilities to other banks and financial institutions and amounts due to credit institutions	(5 605)	(5 487)	(1 983)	(1 916)
on customer deposits and other repayable funds	(13 391)	(13 391)	(7 189)	(7 191)
on debt securities issued	(328)	(328)	(295)	(445)
Compulsory insurance of deposits	(1 448)	(1 448)	(1 094)	(1 094)
Total interest expense	**(20 772)**	**(20 654)**	**(10 561)**	**(10 646)**
Net interest income	**12 039**	**10 594**	**9 074**	**7 488**

NOTE 16 NET FEE AND COMMISSION INCOME

	31 March 2008		31 March 2007	
	Group	**Bank**	**Group**	**Bank**
Fee and commission income:				
for money transfer operations	1 718	1 752	1 901	1 933
for payment card services	571	571	439	440
for base currency exchange	345	345	233	233
for operations with securities	113	113	417	417
other fee and commission income	496	545	488	552
Total fee and commission income	**3 243**	**3 326**	**3 478**	**3 575**
Fee and commission expense:				
for payment card services	(821)	(820)	(701)	(700)
for money transfer operations	(281)	(281)	(346)	(346)
for operations with securities	(86)	(85)	(153)	(153)
for base currency exchange	(1)	(1)	(1)	(1)
other fee and commission expenses	(29)	(5)	(33)	(10)
Total fee and commission expense	**(1 218)**	**(1 192)**	**(1 234)**	**(1 210)**
Net fee and commission income	**2 025**	**2 134**	**2 244**	**2 365**

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

NOTE 17 ADMINISTRATIVE AND OTHER OPARATING EXPENSES

	31 March 2008		31 March 2007	
	Group	Bank	Group	Bank
Salaries, social security and other related expenses	(5 939)	(4 934)	(5 685)	(4 875)
Rent and maintenance of premises	(1 132)	(1 108)	(772)	(675)
Office equipment maintenance	(234)	(230)	(159)	(155)
Depreciation of fixed tangible assets	(944)	(728)	(870)	(650)
Amortisation of intangible assets	(166)	(160)	(173)	(161)
Transportation, post and communications expenses	(588)	(501)	(492)	(395)
Real estate tax and other taxes	(313)	(294)	(150)	(112)
Advertising and marketing expenses	(183)	(148)	(157)	(136)
Training and business trip expenses	(85)	(40)	(47)	(37)
Charity	(69)	(67)	(59)	(29)
Service organisation expenses	(109)	(89)	(113)	(93)
Other operating expenses	(1 129)	(1 029)	(899)	(531)
Total	**(10 891)**	**(9 328)**	**(9 576)**	**(7 849)**

NOTE 18 RELATED-PARTY TRANSACTIONS

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

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

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

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

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	31 March 2008	31 December 2007	2008	2007	31 March 2008	31 December 2007	2008	2007
Members of the Council and the Board	7 809	3 058	2,97	4,18	1 173	3 204	8,63	6,55
Other related parties (excluding subsidiaries of the Bank)	1 381	1 750	3,44	2,37	52 636	51 725	6,41	6,80

Transactions with EBRD:

The Bank received a syndicated loan from the EBRD with its balance as at 31 March 2008 (12-31-2007) amounting to EUR 24 million, of which EBRD's share as at 31 December 2007 was LTL 34,804 thousand. Gross loan of EBRD as at 31 March 2008 was LTL 83 520 thousand (2007: LTL 84 383 thousand). Interest and other expenses related to the loan during three months 2008 amounted to LTL 1 302 thousand (31-12-2007: LTL 3 845 thousand).

Balances of transactions with the subsidiaries are given below:

	Balances of deposits		Average annual interest rates		Balances of loans		Average annual interest rates	
	31 March 2008	31 December 2007	2008	2007	31 March 2008	31 December 2007	2008	2007
Non-financial institutions	89	38	0,00	0,00	44 806	46 694	6,50	5,93
Financial institutions	222	76	0,00	0,00	122 258	122 082	6,28	5,10

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

Assets	**31-03-2008**	**12-31-2007**
Demand deposits		-
Loans	167 064	168 776
Debt securities	-	-
Equity securities	-	-
Dividends receivable	8 797	6 510
Other assets	39	41
Liabilities and shareholders' equity		
Demand deposits	311	114
Loans	-	-
Debt securities	-	-
Other liabilities	-	-
Bank's investment	2 135	2 135

Income and expenses arising from transactions with subsidiaries:

Income	**31- 03-2008**	**31-03-2007**
Interest	2 341	1 036
Commission income	104	117
Income from foreign exchange operations	2	-
Dividends	8 797	7 114
Other income	58	68
Expenses		
Interest	-	152
Commission charges	-	-
Operating expenses	5	5

NOTE 19 CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

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

	31 March 2008		31 December 2007	
	Group	**Bank**	**Group**	**Bank**
Tier 1 capital				
Ordinary shares	161 033	161 033	161 033	161 033
Share premium	65 006	65 006	65 006	65 006
Reserve capital	2 611	2 611	2 611	2 611
Previous year's retained earnings	44 663	33 981	25 422	11 914
Other reserves	3 683	3 405	1 667	1 369
Less: Intangible assets	(1 133)	(1 115)	(1 251)	(1 227)
Total Tier 1 capital	**275 863**	**264 921**	**254 488**	**240 706**
Tier 2 capital				
Financial assets revaluation reserve	540	540	371	371
Total Tier 2 capital	**540**	**540**	**371**	**371**
Less Investments in other credit or financial institutions	-	(900)	-	(900)
Total capital	**276 403**	**264 561**	**254 859**	**240 177**
Capital requirement:				
Standardised approach credit risk	118 920	113 366	116 160	109 920
Traded debt instruments	1 161	634	940	422
Equities	3 697	651	3 644	567
Foreign exchange risk exposure	1 329	1 344	10 178	9 892
Operational risk by Basic indicator's method	9 514	6 718	9 514	6 718
Total capital requirement:	**134 621**	**122 713**	**140 436**	**127 519**
Capital ratio, %	**16,43**	**17,25**	**14,52**	**15,07**

NOTE 20 LIQUIDITY

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

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

The Group controls liquidity risk through established ratios and limits. For the purpose of managing liquidity risk, in addition to the liquidity ratio set by the Bank of Lithuania, which as at 31 March 2008 the Group's ratio was 38,68 (31-12-2007: 39,48) and the Bank's 43,70 (31-12-2007: 44,05), the Group uses the ratio of liquid assets to the total assets, which should not be lower than 20 per cent. Liquid assets used in calculation of the above ratio represents funds held at banks and financial institutions with maturity of less than three months. As at 31 March 2008 the above Group's ratio was 20,18 per cent (31-12-2007: 20,40 per cent), and the Banks – 20,48 (31-12-2007: 20,80).

To follow the solvency status the Group and the Bank monitors availability of liquid funds needed to cover liabilities with a maturity of less than 30 days. Based on the Group's liquidity management policy this ratio (i.e. liquid funds / liabilities of less than 30 days) should not be lower than 100 per cent. As at 31 March 2008 the above ratio on the Group's and the Bank's level was 113,90 (31-12-2007: 107,50 per cent) per cent and 113,82 (31-12-2007: 110,14 per cent) per cent respectively.

The Group and the Bank also calculates 3-months liquidity ratio to monitor longer term liquidity risk. Based on the Group's liquidity risk management policy this ratio should not be lower than 36 per cent. As at 31 March 2008 the Group's and the Bank's ratio was40,70 per cent (31-12-2007: 48,27 per cent) and 52,18 per cent (31-12-2007: 58,72 per cent) respectively.

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

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

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

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	169 416	160 957	110 277	115 425	285 867	556 609	563 670	130 833	2 093 054
Total liabilities and shareholders' equity	327 404	304 159	327 278	263 160	293 054	188 950	94 511	294 538	2 093 054
Net liquidity gap	(157 988)	(143 202)	(217 001)	(147 735)	(7 187)	367 659	469 159	(163 705)	

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	235 181	114 262	145 746	131 667	225 894	534 218	576 409	89 000	2 052 377
Total liabilities and shareholders' equity	400 086	256 055	224 285	220 910	366 859	187 807	105 561	290 814	2 052 377
Net liquidity gap	(164 905)	(141 793)	(78 539)	(89 243)	(140 965)	346 411	470 848	(201 814)	

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

	Demand	Up to 1 month	1 to 3 month.	3 to 6 month.	6 to 12 month	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	169 390	230 470	161 642	131 042	252 358	498 162	526 720	92 860	2 062 644
Total liabilities and shareholders' equity	324 926	299 465	326 831	262 623	283 420	187 816	94 505	283 058	2 062 644
Net liquidity gap	(155 536)	(68 995)	(165 189)	(131 581)	(31 062)	310 346	432 215	(190 198)	

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

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

NOTE 21 MARKET RISK

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

Foreign exchange risk

The foreign exchange risk management is regulated by the Procedures for Foreign Exchange Risk Management. They include the list of types of sale and purchase transactions executed by the Group. Also they establish principles which help the Group to minimize the exposure to foreign exchange risk. The Group does not implement any operations which could cause open currency positions expecting to earn due to the currency rate shift. The Bank's Board approves and reviews on a regular basis the maximum limits for open currency positions for the Bank's branches, subsidiaries and the Bank itself. The established limits are lower than those allowed by the Bank of Lithuania. The Bank's Treasury Department is responsible for the Group's compliance with the Procedures for Foreign Exchange Risk Management.

The Group and the Bank monitors the foreign currency risk by calculating open currency position. Open currency position (OCP) is equal to assets in the balance sheet and off-balance sheet less balance sheet and off-balance sheet liabilities in a single currency. There are two types of OCP, i.e. long and short. The Bank also calculates Total open position (TOP), which is the higher of the separately added short and long positions. Based on the Bank's policy TOP mau not exceed 3% of the total Bank's capital. As at 31 March 2008 the TOP to capital ratio was: Group's – 0,97 % (31-12-2007: 1,36 %), Bank's – 0,81 % (31-12-2007: 1,40 %).

Sensitivity of foreign exchange risk

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

Currency	**Annual reasonable shift, 2008**	**Annual reasonable shift, 2008**
LVL	1%	1%
GBP	1%	1%
NOK	1%	1%
USD	5%	5%
SEK	1%	1%
Other currencies	3%	3%

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

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

	31 March 2008		31 December 2007	
Group	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollars weakening by 5%	16	16	16	16
GBP strengthening by 1%	7	7	9	9
NOK strengthening by 1%	(2)	(2)	6	6
SEK strengthening by 1%	2	2	4	4
LVL strengthening by 1%	5	5	4	4
Other strengthening by 3%	38	38	30	30
Total	66	66	69	69

	31 March 2008		31 December 2007	
Bank	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollars weakening by 5%	16	16	16	16
GBP strengthening by 1%	7	7	9	9
NOK strengthening by 1%	(2)	(2)	6	6
SEK strengthening by 1%	2	2	4	4
LVL strengthening by 1%	5	5	4	4
Other strengthening by 3%	24	24	30	30
Total	52	52	69	69

The presumable FX rate change creates acceptable impact on the Bank's and the Group's annual profit and makes LTL 66 thousand in 2008 (2007: LTL 69 thousand) higher/lower impact on profit.

Interest rate risk

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

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

Sensitivity of interest rate risk

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

Group

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
Total assets	404 436	498 143	463 608	132 082	280 412	314 373	2 093 054
Total liabilities and shareholder's equite	307 232	447 201	362 594	272 432	59 649	643 946	2 093 054
Net interest sensitivity gap at 31 March 2008	97 204	50 942	101 014	(140 350)	220 763	(329 573)	
Higher/lower impact on profit from balance sheet assets and liabilities	932	425	631	(351)	-	-	1 637

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

Group

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
Total assets	217 149	434 270	639 114	116 981	292 606	352 257	2 052 377
Total liabilities and shareholder's equite	351 672	417 799	238 358	260 860	60 562	723 126	2 052 377
Net interest sensitivity gap at 31 December 2007	(134 523)	16 471	400 756	(143 879)	232 044	(370 869)	
Higher/lower impact on profit from balance sheet assets and liabilities	(1 289)	137	2 505	(360)	-	-	993

Bank

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
Total assets	469 640	538 801	422 616	115 011	267 956	248 620	2 062 644
Total liabilities and shareholder's equite	307 232	447 201	362 594	263 338	59 649	622 630	2 062 644
Net interest sensitivity gap at 31 March 2008	162 408	91 600	60 022	(148 327)	208 307	(374 010)	
Higher/lower impact on profit from balance sheet assets and liabilities	1 556	763	375	(371)	-	-	2 324

Bank

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

Operational risk

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

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

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

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

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

The Bank's operational risk management system is complimented by the Information Security and Emergency Management System created and installed by the IT agency "Blue Bridge", which increased the reliability of e-banking services and reduced the risks that the Bank's activities might be disturbed using the IT. New regulations regarding the secure work with the IT have been established and started to be applied in all the outlets of the Bank and for separate bank officers, which allows significantly mitigate the risks of crisis related to information security.

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

Stress tests

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

22 NOTE SEGMENT INFORMATION

Business segments

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

	Banking	Leasing	Investment management	Real estate development	Eliminations	Total Group
Internal	2 341	(1 647)	(381)	(313)	-	-
External	8 253	3 337	161	288	-	12 039
Net interest income	10 594	1 690	(220)	(25)	-	12 039
Internal	2 445	(1 751)	(381)	(313)	-	-
External	10 283	3 316	177	288	-	14 064
Net interest, fee and commissions income	**12 728**	**1 565**	**(204)**	**(25)**	**-**	**14 064**
Provision expenses	**(1 245)**	**(179)**	**-**	**-**		**(1 424)**
Internal	5	(51)	(6)	(6)	58	-
External	(8 445)	(708)	(202)	(416)	-	(9 771)
Operating expenses	**(8 440)**	**(759)**	**(208)**	**(422)**	**58**	**(9 771)**
Amortisation charges	**(160)**	**(5)**	**-**	**(1)**	**-**	**(166)**
Depreciation charges	**(728)**	**(193)**	**(7)**	**(16)**	**-**	**(944)**
Internal	8 908	(53)	-	-	(8 855)	-
External	49	244	4 060	2 869	-	7 222
Net other income	8 957	191	4 060	2 869	(8 855)	7 222
Profit before tax	11 112	620	3 641	2 405	(8 797)	8 981
Income tax	-	(111)	-	166	-	55
Profit per segment after tax	**11 112**	**509**	**3 641**	**2 571**	**(8 797)**	**9 036**
Minority interest	**-**	**-**	**(1 441)**	**(1 205)**	**-**	**(2 646)**
Profit for the year attributable to equity holders of the Bank	**11 112**	**509**	**2 200**	**1 366**	**(8 797)**	**6 390**
Total segment assets	**2 062 644**	**143 135**	**27 091**	**38 539**	**(178 355)**	**2 093 054**
Total segment liabilities	**1 784 861**	**141 394**	**22 039**	**31 787**	**(176 220)**	**1 803 861**
Net segment assets (shareholders' equity)	**277 783**	**17 41**	**5 052**	**6 752**	**(2 135)**	**289 193**

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

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

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