

**CONSOLIDATED ANNUAL REPORT OF
ŠIAULIŲ BANKAS AB
FOR 2010**

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

This report of Šiaulių bankas AB has been prepared for the period from 1 January 2010 to 31 December 2010.

2. Contact information of the Bank

Name – Šiaulių bankas AB

Legal form – public limited liability company (Lithuanian: akcinė bendrovė, abbreviated as “AB”)

Registration date – 4 February 1992

Registrar – State Enterprise Centre of Registers (Valstybės Įmonė Registrų Centras)

Company code – 112025254

Head Office – Tilžės St. 149, LT-76348 Šiauliai

Telephone: (8 41) 595 607

Fax (8 41) 430 774

E-mail info@sb.lt

Website www.sb.lt

3. The Bank's strategy

Šiaulių bankas' AB strategy is focused on the development and modernisation of banking services and based on partnership relations and corporate clients.

Vision

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

Mission

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

Values

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

Objectives

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

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

4. Character of the activities of the Bank

Šiaulių bankas is engaged in the activities of commercial banks. The Head Office of the Bank is located in Šiauliai. Šiaulių bankas was granted a licence of the Bank of Lithuania to perform all the Bank's operations, listed in the Law on Banks of the Republic of Lithuania. The major direction of Šiaulių bankas' activity is crediting. The Bank actively participates in the economic development

programme implemented by the country by granting credits to SMEs, local authorities and natural persons. The priority area of Šiaulių bankas is financing of small- and medium-sized business.

In its activities, the Bank follows the laws and other legal acts of the Republic of Lithuania, the Statute of the Bank and agreements concluded. Šiaulių bankas is engaged in usual activity for commercial banks and provides the following services:

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

As of 31 December 2010, AB Šiaulių bankas had 51 customer service divisions in 31 Lithuanian cities and towns. The network of Šiaulių bankas covered the main Lithuanian cities and financially active regional centres.

5. Šiaulių bankas group of companies

As of 31 December 2010 Šiaulių bankas AB had following subsidiaries:

Šiaulių banko lizingas UAB (hereinafter – Šiaulių banko lizingas):

- ▶▶ assets – LTL 124.20 million;
- ▶▶ character of activities: finance leases (leasing) and leases.

Šiaulių banko turto fondas UAB (hereinafter – Šiaulių banko turto fondas):

- ▶▶ assets – LTL 30.73 million;
- ▶▶ character of activities: real estate management activity.

Šiaulių banko investicijų valdymas UAB (hereinafter – Šiaulių banko investicijų valdymas):

- ▶▶ assets – LTL 44.61 million;
- ▶▶ character of activities: investment management activity.

SBTF UAB (hereinafter – SBTF):

- ▶▶ assets – LTL 40.60 million;
- ▶▶ character of activities: management and administration of liquid real estate and movable estate, ensuring and realization of current activity.

Minera UAB (hereinafter – Minera):

- ▶▶ assets – LTL 25.48 million;
- ▶▶ character of activities: management, development and realization of real estate projects, requiring long-term and additional investments.

Kėdainių oda UAB (hereinafter – Kėdainių oda)

- ▶▶ assets – 12.46

» character of activities: leather processing and production.

A share of Šiaulių bankas in the group of Bank's subsidiaries as of 31 December, 2010 is provided in the table.

Name of the enterprise	Share of the authorized capital owned by the Bank, per cent
Šiaulių banko lizingas UAB	100.00
Šiaulių banko investicijų valdymas UAB	100.00
Šiaulių banko turto fondas UAB	100.00
SBTF UAB	100.00
Minera UAB	100.00
Kėdainių oda UAB (managed indirectly through other subsidiary)	100.00

6. Contact information of the companies belonging to the Bank's Group

» Šiaulių banko lizingas UAB

Legal form – private limited liability company (Lithuanian: uždaroji akcinė bendrovė; abbreviated as “UAB”)

Registration date – 16 August 1999

Registrar – State Enterprise Centre of Registers

Company code – 145569548

Head Office – Vilniaus St. 167, LT-76352 Šiauliai

Telephones: (8 41) 420 855, 502 990

Fax: (8 41) 423 437

E-mail: lizingas@sb.lt

Website: www.sblizingas.lt

» Šiaulių banko turto fondas UAB

Legal form – private limited liability company

Registration date – 13 August 2002

Registrar – State Enterprise Centre of Registers

Company code – 145855439

Head Office – Vilniaus St. 167, LT-76352 Šiauliai

Telephone: (8 41) 525 322

Fax: (8 41) 525 321

E-mail: turtofondas@sb.lt

Website: www.sbturtofondas.lt

» Šiaulių banko investicijų valdymas UAB

Legal form – private limited liability company

Registration date – 31 August 2000

Registrar – State Enterprise Centre of Registers

Company code – 145649065

Head Office – Vilniaus St. 167, LT-76352 Šiauliai

Telephone: (8 41) 429 227

Fax: (8 41) 525 285

E-mail: valdymas@sb.lt

Website: www.sbv.lt

» SBTF UAB

Legal form – private limited liability company

Registration date – 24 November 2004

Registrar – State Enterprise Centre of Registers
Company code – 300069309
Head Office – Vilniaus St. 167, LT-76352 Šiauliai
Telephone: (8 41) 525 322
Fax: (8 41) 525 321
E-mail: z.kilciauskiene@sb.lt

» **Minera UAB**

Legal form – private limited liability company
Registration date – 30 September 1992
Registrar – State Enterprise Centre of Registers
Company code – 121736330
Head Office – Vilniaus St. 167, LT-76352 Šiauliai
Telephone: (8 41) 399 423
Fax: (8 41) 399 423

» **Kėdainių oda UAB**

Legal form – private limited liability company
Registration date – 29 October 2008
Registrar – State Enterprise Centre of Registers
Company code – 302190537
Head Office – Biochemikų St. 7, LT-57234 Kėdainiai
Telephone: (8 347) 55 089
Fax: (8 347) 55 857

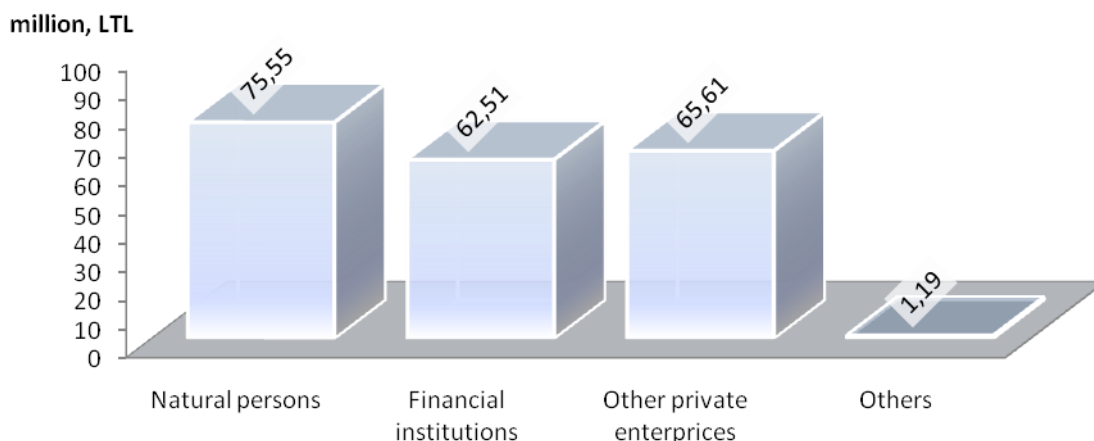
7. Involvement in associated structures

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

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

8. Authorised capital; shareholders of the Bank

As of 22 June 2010, the authorised capital of Šiaulių bankas was LTL 204 857 533. 70.88 per cent of the authorised capital of Šiaulių bankas belongs to companies registered in Lithuania and individuals. The major shareholder of the Bank is the European Bank for Reconstruction and Development (EBRD), which controls 22.44 per cent of the shares.



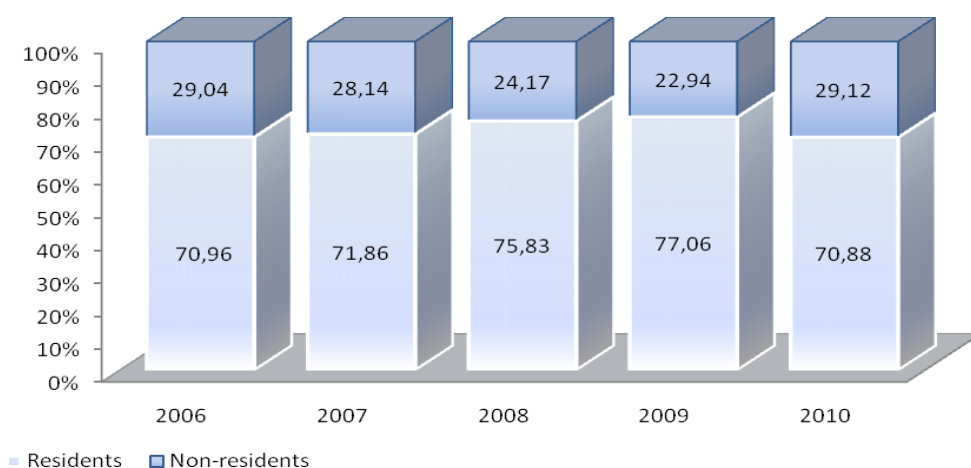
Distribution of the authorised capital by types of shareholders (million, LTL)

In total, during the last five years the authorised capital of the Bank was increased by LTL 130.1 million: LTL 89.5 million from additional contributions of the shareholders and LTL 40.6 million from the Bank's funds.

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

Type of shares	Number of shares, units	Nominal value, LTL	Total nominal value, LTL
Ordinary registered shares, ISIN LT0000102253	204 857 533	1	204 857 533

As of 31 December 2010, Šiaulių bankas had 3 601 shareholders (In the same period of 2009 - 3.525). All issued shares grant shareholders equal rights provided for in the Law on Companies of the Republic of Lithuania and the Statute of the Bank.



A share of capital held by the Bank's shareholders by the place of residence (per cent)

The shareholders of the Bank have the following property rights:

- ▶▶ to receive a share of the Bank's profit (dividend);
- ▶▶ to receive a share of the assets of the bank being liquidated;
- ▶▶ to receive shares free of charge if the authorised capital is raised using the funds of the Bank except for the cases stipulated by the law;
- ▶▶ when the shareholder is a natural person, to leave under the will all or a part of the shares to one or several persons;

- ▶▶ following the procedure and according to the conditions stipulated by the laws, to sell or otherwise transfer all or a part of the shares to the ownership of other persons;
- ▶▶ to have the pre-emption right to purchase the shares issued or converted by the Bank except for the case when the General Meeting of Shareholders, following the procedure stipulated by the laws, withdraws this right for all shareholders;
- ▶▶ to lend to the Bank in the manners stipulated by the laws. However, when borrowing from its shareholders, the Bank shall not have the right to pledge its assets to the shareholders. When the Bank borrows from a shareholder, the interest rate may not exceed the average interest rate of commercial banks available in the place of residence or business of the lender effective at the moment of conclusion of the loan agreement. In such a case, the Bank and the shareholders shall not be allowed to agree on a higher interest rate;
- ▶▶ other property rights stipulated by the laws.

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

The Bank's shareholders have the following non-property rights:

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

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

The shareholders of the Bank who owned more than 5 per cent of the authorised capital of the Bank as of 31 December 2010 are as follows:

No	Shareholder	Number of shares held on the right of ownership, units	Share of the authorised capital held on the right of ownership, %	Share of votes held on the right of ownership, %	Share of votes held together with the related persons, %
1.	The European Bank for Reconstruction and Development (EBRD); address: One Exchange Square, London, Great Britain	45 965 344	22.44	22.44	48.26
2.	Gintaras Kateiva	14 710 214	7.18	7.18	48.26
3.	Algirdas Butkus	10 590 328	5.17	5.17	48.26

Sixteen shareholders of Šiaulių bankas including the European Bank for Reconstruction and Development, Prekybos Namai Aiva UAB, Mintaka UAB, Įmonių Grupė Alita AB, Algirdas

Butkus, Gintaras Kateiva, Arvydas Salda, Kastytis Jonas Vyšniauskas, Sigitas Baguckas, Vigintas Butkus, Vytautas Junevičius, Justas Baguckas, Vita Adomaitytė, Jonas Bartkus, Daiva Kiburienė and Donatas Savickas form a group which has a permit of the Bank of Lithuania to acquire a qualified share of the authorised capital and votes of the Bank equal to and exceeding 50 per cent. As of 31 December 2010, this group possessed 48.26 per cent of the authorised capital and votes of the Bank.

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

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

Restrictions to the voting rights. All the issued shares of the Bank are ordinary registered shares of LTL 1 nominal value. Each share grants one voting right at the General Meeting of Shareholders. Restrictions to the voting rights can be applied in the cases foreseen by the laws.

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

The person or persons acting jointly, having decided to acquire a qualified share of the authorised capital and (or) voting rights of the Bank or to raise it to such extent that the available share of the authorised capital and (or) voting rights of the Bank would be equal to or exceed 20 per cent, 30 per cent or 50 per cent or as much as the Bank would become controllable, shall be obliged to report this in writing to the supervisory authority of the Bank of Lithuania specifying the qualified share of the authorised capital and (or) voting rights of the Bank intended to be purchased as well as to provide documents and data specified in the list given in Paragraph 2 of Article 25 of the Banks' Law of the Republic of Lithuania. Failure to observe the requirement to receive a decision of the Bank of Lithuania not to be in conflict with surpassing the aforementioned limits does not cause the transaction to become ineffective; however, due to the failure to observe this requirement the whole share of the Bank's authorised capital and (or) voting rights owned by the person acquiring it shall lose the voting right in the General Meeting of Shareholders.

Taxation of capital gains. Pursuant to the version of Article 17 of the Law on Income Tax of Individuals of the Republic of Lithuania which was in effect on 31 December 2010, income from securities sold or otherwise transferred to ownership received before 1 January 1999 shall not be subject to the income tax of individuals. Securities acquired after 1 January 1999, if they are sold or otherwise transferred to ownership not earlier than after 366 days from the day of the acquisition thereof (in case of selling a part of securities of the same entity of the same type and class, it shall be considered, in every case, that the securities acquired at the earliest time are sold or otherwise transferred to ownership in the first place) shall not be subject to the income tax of individuals either. Income from the sale of securities shall be subject to the income tax of individuals if a shareholder sells shares or otherwise transfers them to ownership to the entity that issued these shares or in case of sale of securities received as a result of the raise of the authorised capital, grant of shares without payment, and in other cases stipulated by the Law on Income Tax of Individuals of the Republic of Lithuania. If securities are sold earlier than 366 days from the date of their acquisition, the received profit shall be subject to tax at a rate of 15 per cent.

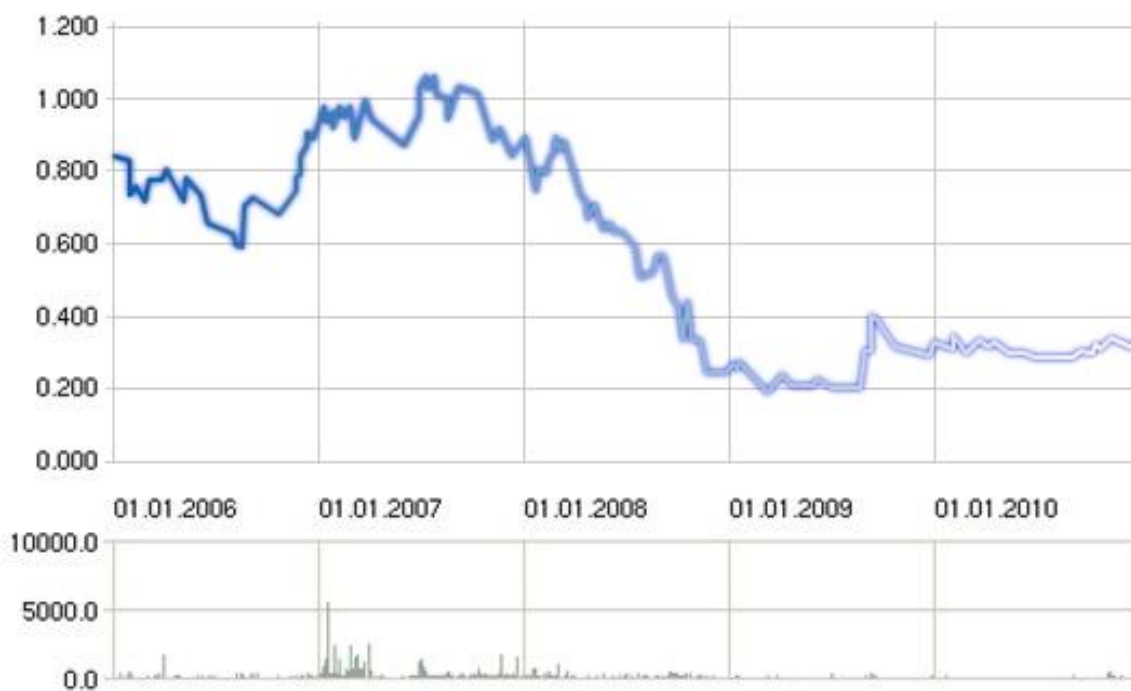
Pursuant to the Law on Corporate Income Tax of the Republic of Lithuania, the profit of Lithuanian legal entities received from securities sold shall be subject to the tax on profit of 15 per cent from the income from an increase in the value of the assets. The income from an increase in the value of the assets shall mean the earned income formed by the difference between the prices of the transfer and acquisition prices of the assets. The acquisition price of the assets shall include the commission fees, and in case of sale of the assets, the selling price shall be reduced by the amount of the paid taxes. If a legal entity incurs loss from the trade in securities, this loss is carried over to the subsequent tax year but covered only from profit on transfer of securities. A loss can be carried over for five tax periods. Later on loss can not be carried over.

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

In the official trading list of AB NASDAQ OMX Vilnius, only the shares of Šiaulių bankas AB are quoted. ISIN code LT0000102253; the number of shares: 204 857 533. Shares of the Bank's subsidiary companies are issued for non-public circulation.

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

Changes in the share price within five years (share price is provided in Euros because trade in shares from 22 November 2010 is performed in Euros):



Share price movement, 2006-2010

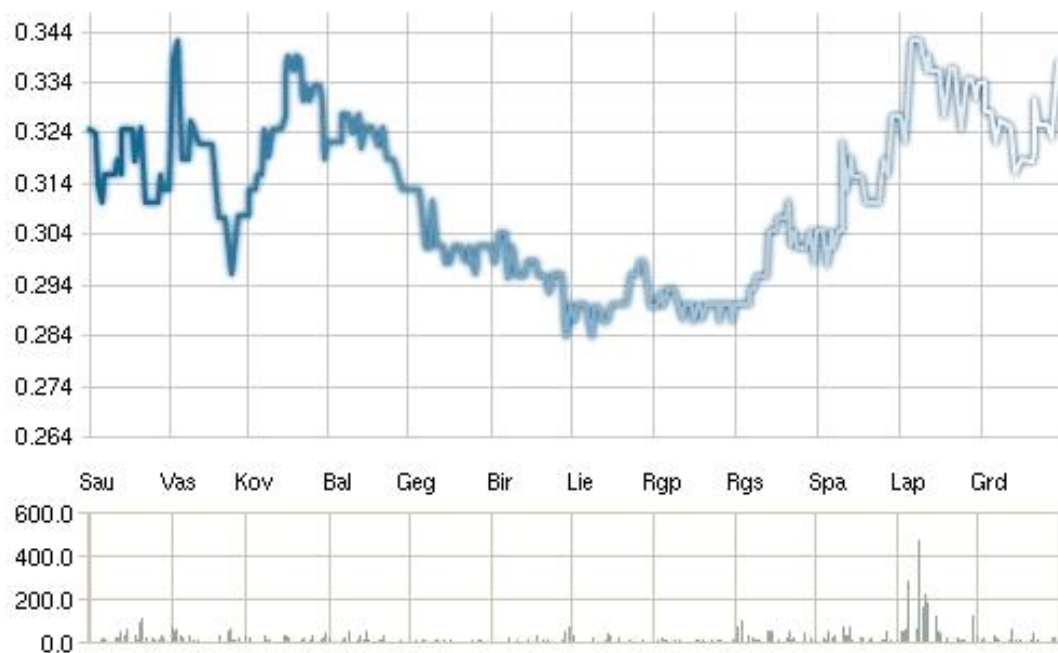
Source: AB NASDAQ OMX Vilnius website

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2006&end_d=31&end_m=12&end_y=2010

Turnover of shares during the period of 2007-2010:

Year	Price of the last trading session, EUR	Maximum price, EUR	Minimum price, EUR	Amount of shares, units	Turnover, million EUR
2006	1.129	1.135	0.846	8 898 992	3.89
2007	0.999	1.245	0.936	63 592 580	71.25
2008	0.269	0.235	1.014	41 718 397	24.33
2009	0.324	0.446	0.180	20 746 641	5.54
2010	0.337	0.345	0.264	17 784 012	5.65

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

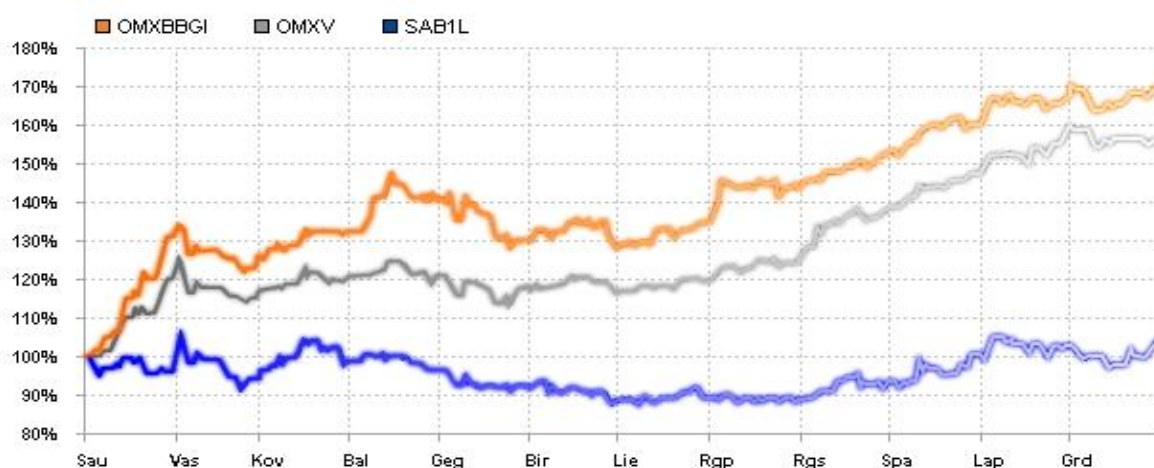


Change of the price of the Bank's shares and turnover in 2010

Source: AB NASDAQ OMX Vilnius website

http://www.nasdaqomxbaltic.com/market/?instrument=LT0000102253&list=2&pg=details&tab=historical&lang=lt¤cy=0&downloadcsv=0&date=&start_d=1&start_m=1&start_y=2010&end_d=31&end_m=12&end_y=2010

Below, the OMX Vilnius index, OMX Baltic Benchmark, and Šiaulių bankas AB share price change charts for 2010 are provided.



Data

of the chart:

Index/Shares	01-01-2010	31-12-2010	+/-, %
OMX Baltic Benchmark GI	314.42	533.9342	69.83
OMX Vilnius	261.77	409.65	56.49
SAB1L	0.32 EUR	0.34 EUR	3.89

Source: AB NASDAQ OMX Vilnius website

http://www.nasdaqomxbaltic.com/market/?pg=charts&lang=lt&idx_main%5B%5D=OMXBBGI&idx_main%5B%5D=OMXV&add_index=OMXBBPI&add_equity=LT0000128266&idx_equity%5B%5D=LT0000102253&period=other&start_d=1&start_m=1&start_y=2010&end_d=31&end_m=12&end_y=2010

Šiaulių bankas' share capitalisation was LTL 238.37 million (EUR 69.04 million) on 31 December 2010 and amounted to LTL 202 million (EUR 58.50) on 31 December 2009.

The capitalisation of shares of Šiaulių bankas and AB NASDAQ OMX Vilnius trading list as of the last trading day of 2009 and 2010 are as follows:

Baltic share list	30-12-2009	30-12-2010	Change
SAB1L	EUR 58 503 370,59	EUR 69 036 988,62	+18.01%
Vilnius market, total	EUR 3 219 512 569,74	EUR 4 219 761 406,81	+31.07%

Source: AB NASDAQ OMX Vilnius website

http://www.nasdaqomxbaltic.com/market/?pg=capital¤cy=0&market=XVSE&stocktype%5B%5D=main&period=other&start_d=1&start_m=1&start_y=2010&end_d=31&end_m=12&end_y=2010

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

Indicator	31-12-2007	31-12-2008	31-12-2009	31-12-2010
P/E	19.17	9.3	negative	negative

In 2010, two bond issues of the Bank were controlled in the debt securities list of AB NASDAQ OMX Vilnius:

- ▶ the issue LT1000401299; amount – EUR 41 187; nominal value – EUR 100, interest rate - 5 per cent; issue is redeemed on 2 December 2010. No transactions in these securities were concluded;
- ▶ the issue LT1000401240; amount of the issue – EUR 12 198; nominal value – EUR 100, interest rate – 7.8 per cent. Issue is redeemed on 15 July 2010. No transactions in these securities were concluded during the reporting period.

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

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

- » AB bankas Finasta;
- » Danske Bank A/S Lithuanian Branch;
- » AB Citadele bankas
- » AB DnB NORD Bank;
- » Swedbank AB
- » SEB Bank AB
- » Barclays Capital;
- » Commerzbank AG.

Šiaulių bankas AB has an agreement with Ūkio bankas AB regarding protection of the interests of the owners of bonds issued by the Bank, redeemed in 2010.

11. Acquisition of own shares

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

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

In 2010, Šiaulių bankas executed all the standards limiting the operational risk stipulated by the Bank of Lithuania. Information about their implementation is listed in part 15 of this report.

13. Risk management

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

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

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

The most important types of risks encountered by the group of the Bank include credit, market, liquidity, concentration and operational risks. The market risk encompasses the risk of currency

exchange rate, interest rate, and price of securities. Concentrations of other types of risk are considered by the group of the Bank as insignificant, and they are not evaluated.

In order to avoid conflict of interests, the outlets of the Bank which perform risk management functions are separated from the outlets direct activities of which are related with the emergence of risks characteristic to that activity.

14. Ratings assigned by international agencies and their revisions

On 26 June 2009, the international rating agency Moody's Investors Service determined the following revised ratings for Šiaulių bankas AB:

» long-term credit rating	Ba3
» short-term credit rating	NP
» financial strength rating	D
» outlook	negative.

15. Information about activity results

Although the economy of Lithuania was further affected by the recession in 2010, but the activity results of Šiaulių bankas and Šiaulių bankas' Group reflected marginal general recovery tendencies of national economy during the reporting period.

Šiaulių bankas earned LTL 15 million operating profit in 2010, i.e. by almost twice as much compared with 2009, when operating result totaled LTL 7.7 million (having eliminated dividends paid by subsidiaries to the Bank, profit tax and special provisions).

The most important Bank's operating income – net interest income – were growing gradually growing each quarter of 2010. Although in line with the conservative crediting policy and with the marginal increase of loan portfolio, the Bank received by 23.6 (LTL 107.38 million) per cent less of interest income within 2010 compared with 2009; however, with the noticeable decrease of deposit interest rate in the market, interest costs were further decreasing and comprised LTL 78.54 million in 2010 (i.e. by 30.4 per cent less than in 2009). At the end of reporting year 78.4 per cent of interest income was comprised of income for the loans granted to customers – it is by 6 percentage points less than in 2009. In 2010 net interest income of the Bank totaled LTL 28.84 million or was by 4.5 per cent bigger comparing with the year before. This income comprised 66.2 per cent of total operating income of the Bank and was in particular growing during the last quarter of 2010.

Net interest and commission income decreased by 7 per cent over the last year and comprised LTL 7.94 million; this fall was influenced by the decrease of the clients' activity and number of transactions. However, other and financial operations income grew by almost twice as much to LTL 6.76 million. In 2010 the Bank increased income from trade in debt securities due to the favorable price changes, i.e. during the reporting period the Bank earned a profit from securities in the amount of more than LTL 3 million. In 2010 the Bank's profit from changes in currency exchange rates comprised almost LTL 2.72 million. At the end of reporting year the Bank issued more than 43.3 thou of payment cards: their number changed insignificantly within a year, i.e. since the end of 2009 till the end of 2010 a number of payment cards decreased by 2 percentage points.

A number of payment orders to other banks registered in Lithuania executed via SB linija comparing with the total number of payment orders of this type executed in the Bank increased in 2010 and at the end of the year comprised 89 per cent of total payments.

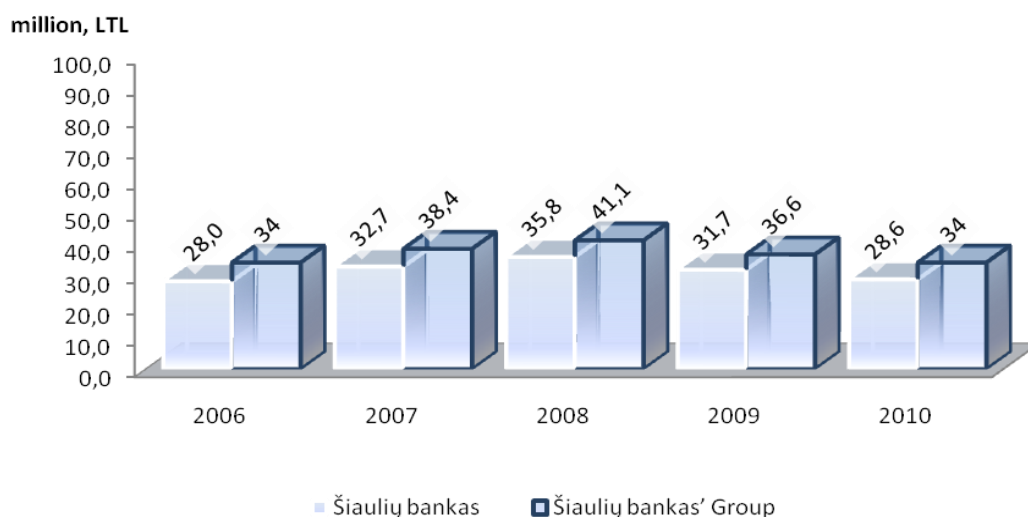
In 2010 total Bank's operating income increased by one tenth and totaled LTL 43.53 million (LTL 39.38 million in 2009).



Total operating income of Šiaulių bankas and Šiaulių bankas' Group, 2006-2010 (in LTL million).

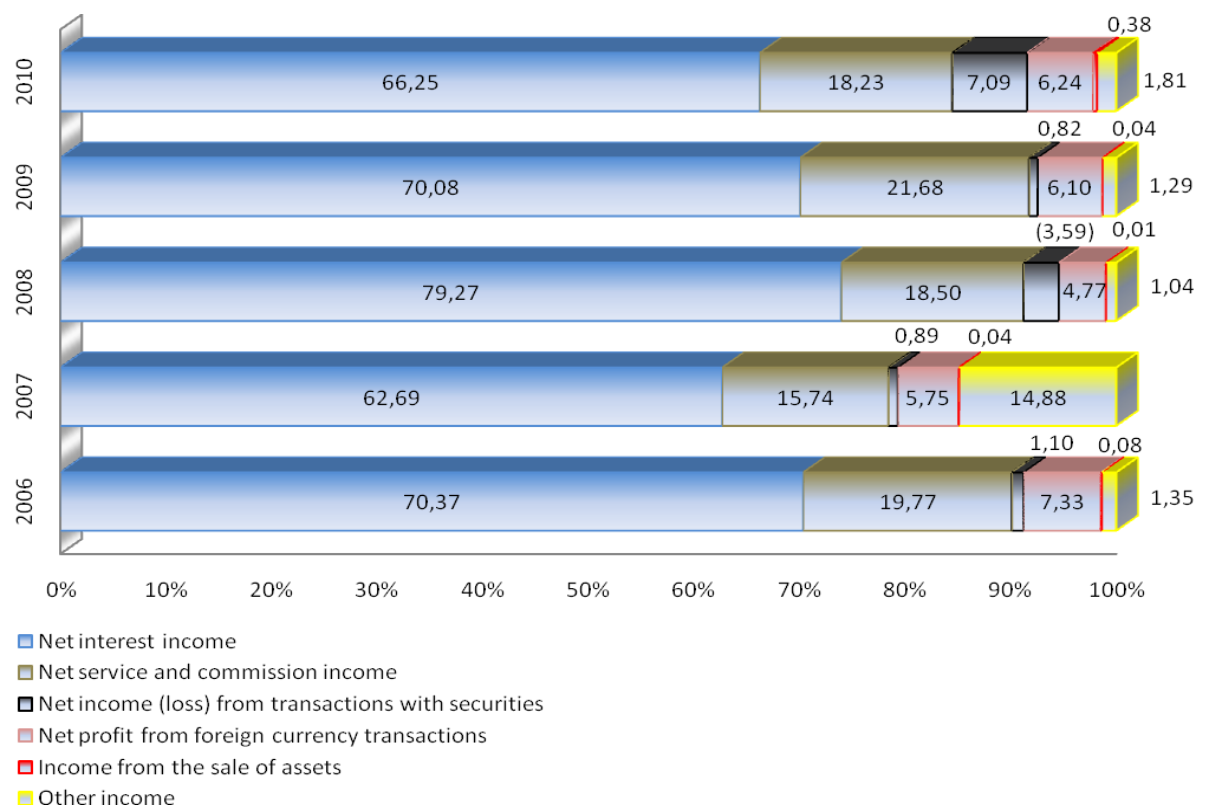
According to the data as of 31 December 2010 net interest income of Šiaulių bankas' Group comprised LTL 31.80 million, a year before this income was by LTL 2.60 million less and totaled LTL 29.20 million. Total operating income of the Bank's Group amounted to LTL 48.51 million at the end of reporting period, i.e. grew by 6.1 per cent.

In 2010 Šiaulių bankas paid particular attention to the operational efficiency. Strict management of operating costs allowed reducing operating costs by 10 per cent, which comprised LTL 28.57 million at the end of the year. All the items related with the operating costs were decreasing, in the most extent – personnel. Personnel costs decreased by 8.3 per cent within a year, i.e. by LTL 1.39 million. Amortization and depreciation of other costs, to which operating costs are attached, as well as other operational costs of the Bank reduced by 11.8 per cent.

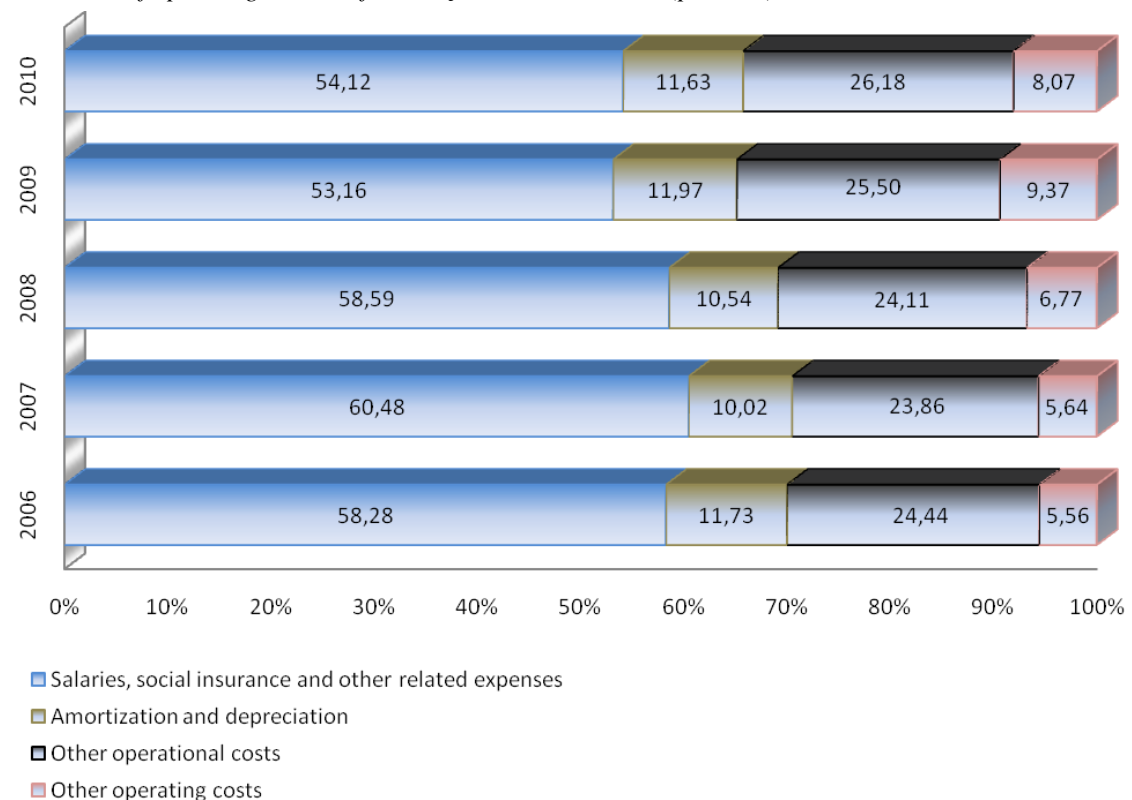


Operating costs of Šiaulių bankas and Šiaulių bankas' Group, 2006-2010 (in LTL million).

The structure of the main operating income and operating costs of Šiaulių bankas remained similar to the previous years. Further two graphs show the change of Šiaulių bankas' operating income and costs within the last five years in per cent.



The structure of operating income of Šiaulių bankas, 2006-2010 (per cent)



The structure of operating costs of Šiaulių bankas, 2006-2010 (per cent)

During the reporting year with the increase of income and decrease of costs the Bank's efficiency indicator improved by almost 12 percentage points, i.e. costs/income ratio fell from 75.71 per cent to 63.78 per cent.

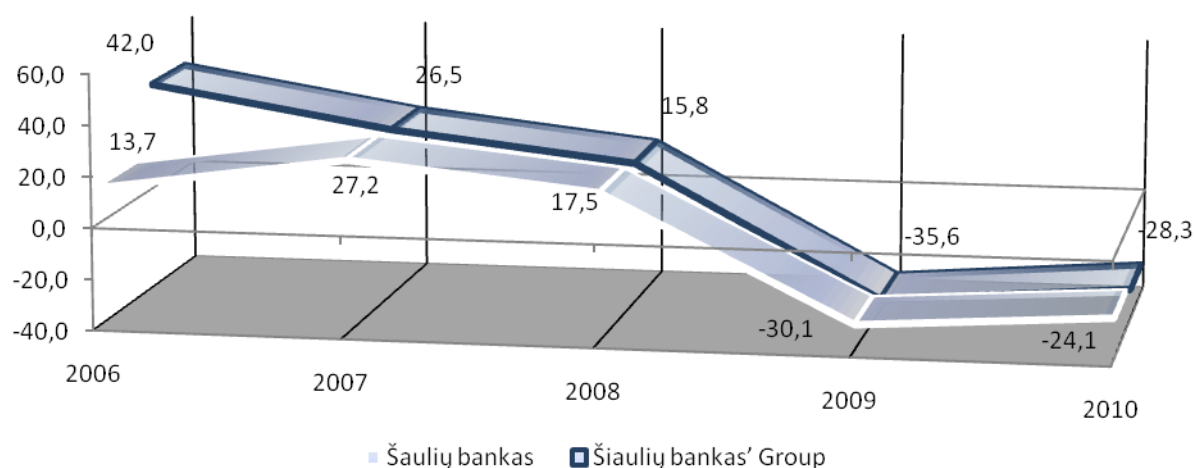
	2006	2007	2008	2009	2010
Bank	63,56	47,63	55,59	75,71	63,78
Financial group	63,60	47,99	56,73	71,81	62,77
Entire group	37,35	49,94	59,27	78,42	67,85

As in 2009, during the reporting year volumes of loans impairment remained high enough in Šiaulių bankas: within 2010 special provisions of LTL 43.92 million were formed (in 2009 – LTL 49.79 million). Special provisions expenses influenced negative financial operating result of the Bank: Šiaulių bankas ended 2010 with LTL 24.15 million net loss. Incurred loss was by fifth less than in 2009: at that time it totaled LTL 30.11 million.

The main reason of the worsening of Šiaulių bankas' Group and Šiaulių bankas' activity financial results remained formation of special provisions to bad loans. Although it was decreasing within the reporting year, while the operating income of the Bank's Group was increasing, however, it was not enough for the positive financial result of the Group. Šiaulių bankas' Group incurred a loss of LTL 28.29 million during 2010. The final result of the Group was influenced by special provisions, which expenditures totaled LTL 46.03 million in 2010. A loss of Šiaulių bankas' Group having formed special provisions of LTL 50.44 million comprised LTL 35.55 million in 2009, i.e. by LTL 7.26 million bigger than in 2010.

As of March 2010 the Bank acquired 100 per cent of authorised capital and votes of SBTF UAB as well as 100 per cent of authorised capital and votes of Minera UAB. The acquired enterprises to date belonged to the subsidiaries of the Bank; they are engaged in real estate management. Two subsidiaries of the whole Šiaulių bankas' Group finished the year in profit: Šiaulių banko lizingas earned a profit in the amount of LTL 0.21 million and SBTF earned 0.02 million LTL in profit. The rest subsidiaries of the Bank finished the year with loss: the loss of Šiaulių banko investicijų valdymas amounted to LTL 1.5 million, Šiaulių banko turto fondas – LTL 0.9 million and Minera – LTL 0.25 million.

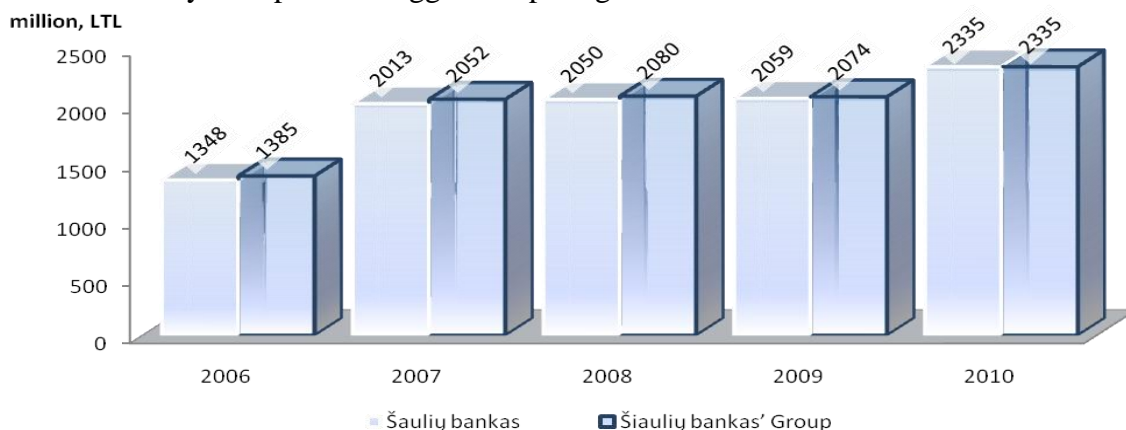
million, LTL



Net profit (loss) of Šiaulių bankas and Šiaulių bankas' Group, 2006-2010 (in LTL million)

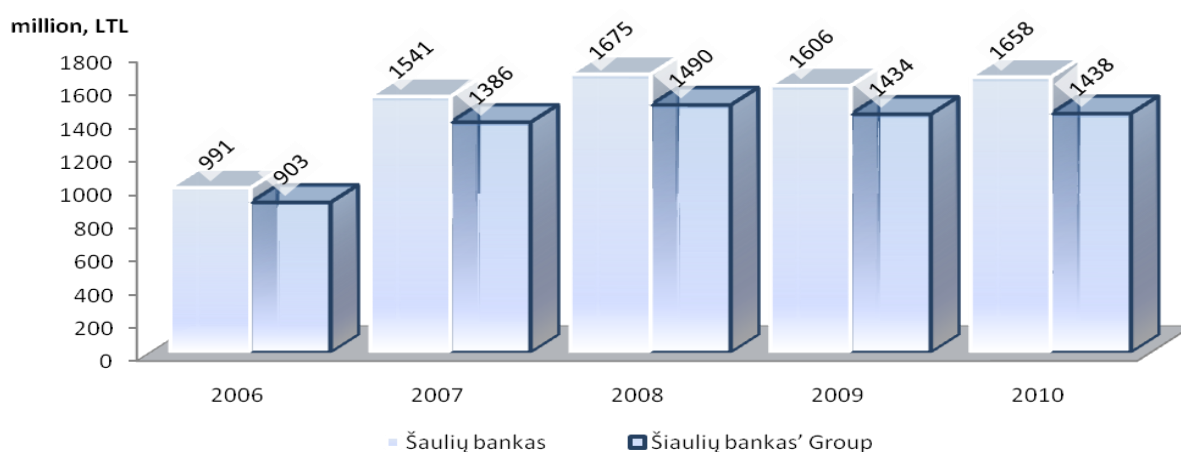
The assets of Šiaulių bankas grew by 13.4 per cent to LTL 2 334.65 million over the year, while, the assets of the whole banking sector decreased by 3 per cent. The growth of assets of Šiaulių bankas was influenced not by the loan portfolio comprising the largest part but by the investment into liquid assets. Strengthening a base of liquid assets, the Bank was increasing securities portfolio during 2010, which increased even by 74.4 per cent over the year – to LTL 375.42 million.

At the end of reporting year the assets of Šiaulių bankas' Group in the amount of LTL 2 334.61 million were by 12.6 per cent bigger comparing with the end of 2009.



Assets of Šiaulių bankas and Šiaulių bankas' Group, 2006-2010 (in LTL million)

The major part of the Banks assets was comprised of loans – 71 per cent. Despite of the fact that in 2010 unemployment level remained high, a part of enterprises ceased their activity, credit risk of debtors remained high and the loan portfolio of the whole banking sector was decreasing by 5.2 per cent, Šiaulių bankas was improving business conditions to its customers and increasing lending volumes. An increasing number of customers wishing to borrow was observed in 2010. Within 2010 the loan portfolio grew by 3.2 per cent, i.e. LTL 52 million and at the end of the year comprised LTL 1 657.61 million, in spite of reduction of loan portfolio in the total assets of the Bank by almost 7 per cent. The biggest portion of the loan portfolio comprises loans to corporate clients, i.e. legal entities: a portion of loans to legal entities in the total loan portfolio grew by 2.3 percentage points. Special provisions/loan portfolio ratio of the Bank comprised 4.49 per cent (2.45 per cent in 2009). Within the reporting year residents' loan portfolio decreased by 14 per cent to LTL 191 million in the Bank, while loans share to residents in the total loan portfolio of the Bank decreased: at the end of the year it comprised 11.5 per cent (13.9 per cent in the same period of 2009).



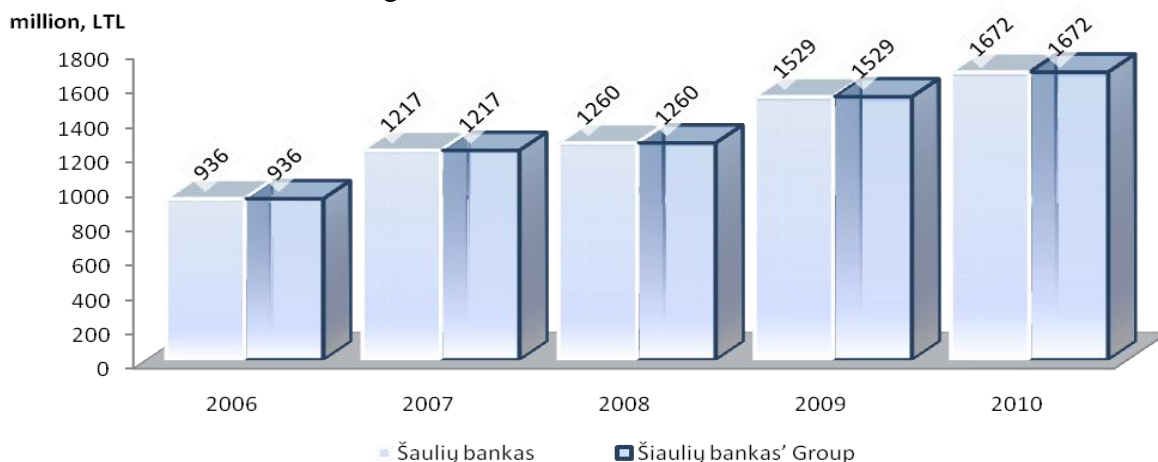
Loan portfolio of Šiaulių bankas and Šiaulių bankas' Group, 2006-2010 (in LTL million)

Šiaulių bankas by strengthening its positions as a financial partner of SMEs, was successfully participating in the economy stimulation programmes initiated by the Government of the Republic of Lithuania and expanding cooperation with international financial institutions. In 2010 the Bank signed a cooperation agreement with the European Investment Fund (EIF) and started implementation of a modern financial engineering instrument in Lithuania under the JEREMIE initiative, i.e. provision of shared-risk loans to SMEs. It is received EUR 5 million from EIF intended for crediting of small and medium-sized businesses in Lithuania. In the same year the Bank also became the first financial partner of the European Investment Bank (EIB) in Lithuania: a

first agreement was signed regarding the financing of renovation programme of multi-apartment buildings using JESSICA financial instrument. Pursuant to the terms of agreement for renovation of multi-apartment buildings Šiaulių bankas will provide the loans for a total amount of EUR 6 million (over LTL 20 million). At the end of reporting year a second agreement regarding LTL 15 million (more than LTL 51 million) was concluded with the EIB, intended for the investments in energy efficiency improvement measures in multi-apartment buildings.

In 2010 the Bank used credit lines and loans previously granted by the European Bank for Reconstruction and Development (EBRD), World Bank, Public Institution Central Project Management Agency, Public Institution of Lithuanian Environmental and Investment Fund, KfW Bankengruppe and Nordic Investment Bank as well as by the Council of Europe Development Bank. It also used loans for crediting of SME from Investicijų ir verslo garantijos UAB and for crediting of agricultural sector from the Loan Fund, which is managed by the Rural credit Guarantee Fund.

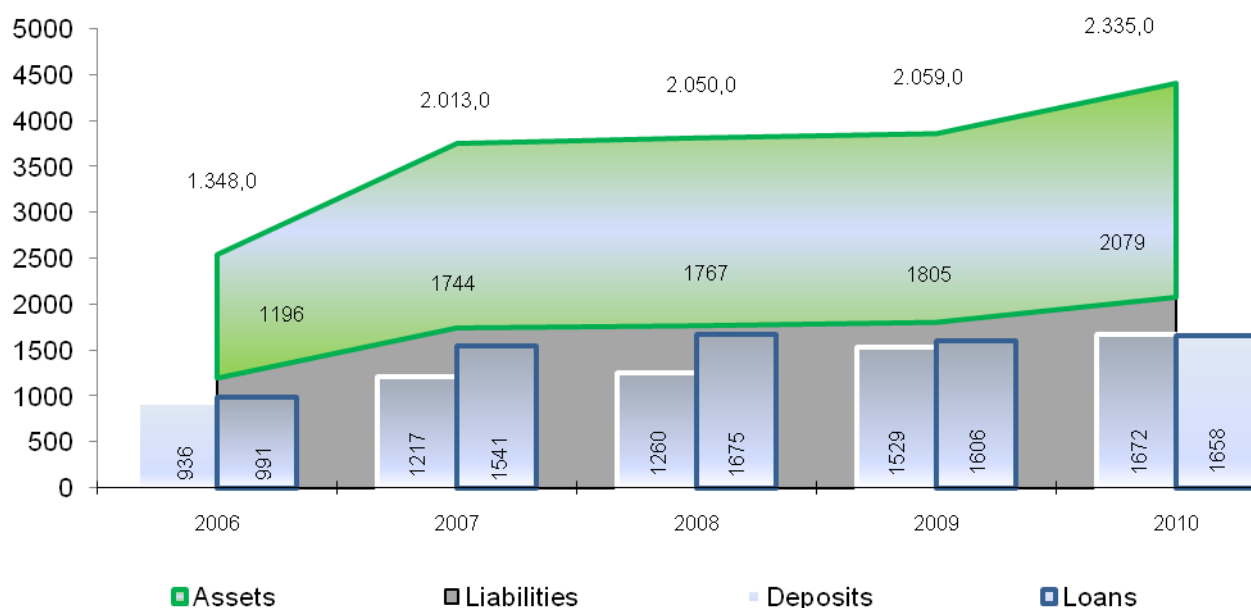
In 2010 Šiaulių bankas succeeded to attract a number of residents' savings in the domestic market: the amount of deposits held in the Bank increased. Within a year deposits of customers increased by 9.4 per cent to LTL 1 672,39 million. Deposits of residents grew by 6.1 per cent to LTL 1 118.92 million. However, a portion of deposits of individuals in the total deposit portfolio was reduced from 69 per cent at the end of 2009 to 66.9 per cent in 2010. Residents held their funds in the Bank mostly in the form of time deposits. Deposits of corporate clients increased by 16.8 per cent over 2010: their portion in the total deposit portfolio totaled 33.1 per cent at the end of 2010 (31 per cent in 2009). A change of deposits reflects that during the analysed period economy was influenced by the positive change, general financial situation of the country started improving and public confidence in banks was strengthened.



Deposits of Šiaulių bankas and Šiaulių bankas' Group, 2006-2010 (in LTL million)

In the reporting year liabilities of Šiaulių bankas' Group comprised LTL 2 083.43 million, Šiaulių bankas' – LTL 2 078.51 million: annual growth was 14.5 and 15.1 respectively.

million, LTL



Changes of the Bank's assets, liabilities, deposits and credits granted to customers, 2006-2010 (in LTL million)

The main financial ratios describing the Bank's profitability of the activities – assets return (ROAA) and equity return (ROAE).

Profitability ratios		2006	2007	2008	2009	2010
Bank	ROAA, %	1,14	1,62	0,86	-1,47	-1,10
	ROAE, %	11,26	12,92	6,34	-11,22	-9,47
Financial group	ROAA, %	1,15	1,64	0,84	-1,53	-1,09
	ROAE, %	11,53	13,08	6,22	-11,74	-9,38
Entire group	ROAA, %	1,86	1,42	0,65	-1,71	-1,28
	ROAE, %	17,50	10,93	4,64	-12,96	-11,20

Due to the loss-making activities assets return ratios of Šiaulių bankas and Šiaulių bankas' Group remained negative in reporting period, but they were improving. Assets return of Šiaulių bankas from the lowest position within the whole period of its activity (negative 1.47 per cent), which was recorded in 2009, slightly grew to negative 1.10 per cent in 2010. ROAA of Šiaulių bankas' Group increased from negative 1.71 per cent to negative 1.28 per cent. The improvement of the ratio means that a part of more profitable assets was increased, while negative value shows that large number of special provisions continued to be formed intended to cover bad loans.

Equity return ratio (ROAE) comparing with 2009 also changed: ratio of Šiaulių bankas improved by 1.75 percentage points and comprised 9.47 per cent; equity return of Šiaulių bankas' Group was negative 11.20 per cent.

Authorized capital of Šiaulių bankas was increased by LTL 24.5 million by issuing a new share issue, which was redeemed by the European Bank for Reconstruction and Development (EBRD) and other major shareholders of the Bank. At the end of the reporting year the authorized capital of the Bank comprised LTL 204.86 million. The major shareholder of Šiaulių bankas, the European Bank for Reconstruction and Development (EBRD) owned 22.44 per cent of total shares of the Bank, companies registered in Lithuania and individuals – 70.88 per cent of the authorized capital of the Bank.

Capital adequacy ratio was 14.06 per cent. The Bank's liquidity remained strong and comprised 46 per cent.

	Prudential requirements limiting the activity risk	2006	2007	2008	2009	2010
Bank	Capital adequacy, % (> 8%)	13,73	15,07	15,08	13,90	14,06
	Liquidity, % (>30%)	40,74	44,03	38,75	38,23	46,00
	Maximum loan per borrower, % (<25%)	17,37	13,29	21,30	24,56	21,68
	Big exposure standard, % (< 800%)	240,20	156,99	166,20	198,85	391,24
	General open position in foreign currency, %(<25%)	1,39	1,40	0,41	0,31	0,55
Financial group	Capital adequacy, % (> 8%)	13,70	14,33	15,19	13,90	14,17
	Maximum loan per borrower, % (<25%)	18,14	13,88	21,12	24,38	21,50
	Big exposure standard, % (< 800%)	195,32	115,98	111,86	152,08	341,23
	General open position in foreign currency, % (<25%)	1,37	1,39	1,30	0,31	0,54
Entire group	Capital adequacy, %	13,80	14,62	15,21	13,90	13,92
	General open position in foreign currency, %	1,34	1,32	1,26	0,31	0,55

In 2010 the efficiency of the available client service centers as well as branches was evaluated; uneconomic outlet in Nida was closed. As of 31 December 2010 Šiaulių bankas had 51 territorial outlets operating in 31 towns and cities of Lithuania. At the end of the year 481 employees were working in Šiaulių bankas and its branches. 545 employees of the Bank's Group were working there.

The main clients of the Bank are private persons and business representatives using services rendered by the Bank as well as performing different financial operations. The number of customers of Šiaulių bankas was slightly growing within the analyzed period. A big growth of corporate clients was recorded: their number increased by almost 6 per cent within a year. At the end of reporting year Šiaulių bankas serviced 128.4 thousand of customers.

A number of customers using Internet banking exceeded 46 thousand during the analyzed period, i.e. the number of clients increased by 18.4 per cent within a year.

A number of e-trading partners was increased: at the end of 2010 a network of Internet shops possessed by the Bank included 65 shops. This list of partners Šiaulių bankas is expanding intensively and supplementing it with the newest and most popular Internet shops.

After "Metasite Business Solutions" performed the analysis of electronic banking services of the Banks of Baltic countries, the results shows that SB linija of Šiaulių bankas was ranked 5th according to functionality among the 12 Banks operating in Lithuania with the electronic banking services.

In 2010 Šiaulių bankas successfully completed projects regarding the eligibility of "Visa" and "MasterCard" with the new technological requirements and starting from the second half of 2010 started issuing of the safest cards corresponding to the standard of EMV DDA. Seeking to optimize settlements by payment cards, the process of performance of operations with cards was changed, i.e. it was shifted to the performance of operations in the banking system in a real time in the Bank's outlets and it was also refused of additional cards servicing equipment (POS terminals): it was aimed to decrease the Bank's expenses.

In 2010 the renovation process of ATM's according to the new EMV standards ("Europay", "MasterCard" and "Visa") was started. A number of ATM was increased to 36 units within 2010.

16. Activity plans, development and prognosis

Stabilisation of business environment of the country and improving financial indexes of a part of companies strengthens a belief in economic recovery; however, residents and business entities quite often face difficulties of compliance with financial commitments. Thus, Šiaulių bankas and other enterprises of the Bank's Group will closely cooperate with customers, consult them, will offer actual and clear financial decisions as well as will react in each particular moment to every particular situation in order to ensure a further successful growth, expansion of provided services and improvement of their quality.

In 2011 the activity of Šiaulių bankas and Šiaulių bankas' Group will be based on the principle of cost effectiveness, a big attention will be paid towards the risk management; risk management system will be continued developing, which would allow to achieve optimum risk/profit ratio.

Šiaulių bankas seeking to finance as large a number of different projects as possible and to contribute towards the faster growth of the country's economy, will continue expanding attraction opportunities of international financial institutions.

The main highlights of subsequent year:

- » strengthening of the team of the Bank's management;
- » development of organizational structure;
- » increase of loan portfolio;
- » sales expansion of banking products and services;
- » attraction of new clients;
- » increase of functionality of payment cards seeking to attract new cardholders;
- » improvement of clients service quality;
- » increase of popularity of the Bank's trademark;
- » optimization of activity of outlets;
- » expansion of ATMs network.

The Bank will be further developing an exceptional competence while stimulating development of SMEs in Lithuania.

17. The most important events during the accounting period

» On 20 January 2010 the European Investment Fund (EIF) and Šiaulių Bankas AB signed a cooperation agreement regarding the EUR 40 million for financing of Small and Medium-sized enterprises in Lithuania. Due to this transaction Šiaulių Bankas increased lending volumes and by implementing JEREMIE financial instrument allocated funds towards provision of risk-sharing loans.

» On 12 February 2010 Šiaulių bankas signed the agreement with the Finance Ministry of the Republic of Lithuania and became the participant of the Government Securities Auction of the Republic of Lithuania. The Bank is enabled to directly buy the Government's Securities on its and other clients' behalf in the auctions during the priority distribution, that are implemented by AB NASDAQ OMX Vilnius.

» On 23 March 2010 Šiaulių bankas AB acquired 100 per cent of shares and votes of SBTF UAB and Minera UAB. Purchased companies belonged to the Bank's subsidiaries before. At the time of acquisition authorised capitals of these enterprises was around LTL 1 million.

» On 31 May 2010 Šiaulių bankas and the European Investment Bank (EIB) have signed an agreement regarding the LTL 20.72 million (EUR 6 million) intended for financing of modernisation projects of multi-apartment buildings. JESSICA financial instrument that assists in implementation of this programme is the initiative of the European Commission and the European Investment Bank intended to stimulate the investment of coherent urban projects' development. According to this modernisation programme preferential loans are provided for the period up to 20 years. Annual interest rate does not exceed 3 per cent.

» On 22 June 2010 the amended Charter of Šiaulių bankas AB with the increased up to LTL 204 857 533 (EUR 59 330 843) authorized capital was registered in the Register of Legal Entities. The authorized capital increased by LTL 24 500 000.

» On 29 November 2010 Šiaulių bankas and the European Investment Bank (EIB) signed the agreement of EUR 15 million regarding the additional modernization loans intended for the investments in energy efficiency improvement measures in multi-apartment buildings. Using JESSICA financial instrument, the received funds intended for the renovation programmes of multi-apartment buildings, implemented according to the previously approved modernization programme of multi-apartment buildings by the Government of the Republic of Lithuania, i.e. before the 1st September 2009.

» On 2 December 2010 Šiaulių bankas joined to the global money transfer network of "MoneyGram International", which provides fast international money transfers in more than 190 countries.

18. Social responsibility

It is now three years since Šiaulių bankas is the member of the United Nations World Agreement; therefore, social responsibility, using of canons of the World Agreement in its activity as well as motivation of employees and partners to comply with the principles of responsible business is inseparable part of the Bank's activity. Šiaulių bankas seeks to be responsible to society, take charge of its employees, be honest and open with customers and environment friendly.

In 2010 Šiaulių bankas was actively working with small and medium-sized businesses by providing preferential loans to entrepreneurs, farmers and communities of multi-apartment buildings. The Bank together with the partners: Šiauliai Chamber of Commerce, Industry and Crafts, local authorities, business incubators, Public Institution Lithuanian Innovation Centre, Investicijų ir verslo garantijos UAB (INVEGA) and the European Investment Fund organized cycles of seminars, which lasted two months, where it was presented crediting opportunities in detail as well as new financial engineering instruments in Lithuania.

Šiaulių bankas actively participates in public and social life. For a number of years Šiaulių bankas and Šiauliai University are joined by a successful and mutual partnership. During the contest "For the best projects for Šiauliai city and business" organised by the City Municipalities, Šiauliai Chamber of Commerce, Industry and Crafts and Association of Šiauliai Industrialists since 2005 Šiaulių bankas each year grants premiums and incentive prizes to the students of the best ideas. In 2010 Šiaulių bankas supported "The sea festival, 2010", "The days of Šiauliai 2010", the opening night of "Vilnius Ballet" of the Theatre of Choreographic Project, a concert "Žvaigždės ir žvaigždės" organized by the Lithuanian Musicians' Support Fund and the International commemoration of disabled people "We are together". The Bank also contributed to the republican academic competition "F.IX. Junior'2010" to the pupils of gymnasium organized by Šiauliai University, to the republican horse race "Varėna 2010", awarded the winners of the competition "The best TAVA (Association of entrepreneurs of Tauragė district) enterprise", granted

nominations during the international conference “A young entrepreneur Alytus-Suvalkai 2010” and to the participants of a conference “Business days 2010” and other.

A voluntary blood donation action became a nice continuous tradition. In 2010 the seventh campaign united the employees of Šiaulių bankas and Šiaulių bankas' Group as well as relatives and friends of the employees. During the reporting years the employees gathered to donate blood even for two times.

Environmental actions of Šiaulių bankas' Group are related with the reduction of paper use. With the usage of electronic documents' management systems the Bank and its subsidiary companies motivate the employees to reduce printing of unimportant documents, invite the customers to use electronic applications and suggest performing a lot of usual services via the Internet. The Bank motivates society by such actions to pay attention to certain unreasonable printing costs of documents and reminds on saving ways of money and time.

Šiaulių bankas is the family-friendly company. Each year summer sport event and Christmas events are organized to the employees and their family members. Šiaulių bankas for the third successive year participated in the charity campaign “The Kindness Day”, arranged by LNK television, which was intended for fight with cancer.

Šiaulių bankas' Group is fostering responsible relations with employees. During the recession the enterprises belonging to the Bank's Group did not implement redundancy policy, did not force the employees to go on unpaid leave: it was some intellectual investment into the future, motivation of employees and ensuring of social guaranties. The Bank supports and honors the world human rights defense and is against the violation of human rights. The principles of democracy, person's physical and social safety as well as respect for individual freedom are fostered in the enterprises of Šiaulių bankas' Group

19. Paid dividends

The Bank does not have an established procedure for allocation of dividends. The General Shareholders' Meeting decides either to pay dividends or not while allocating the Bank's profit. A table provides data on the dividends paid by the Bank within the last five years:

List of Baltic shares	2006	2007	2008	2009	2010
Per cent from the nominal value	2.00	2.00	2.00	0.00	0.00
Amount of dividends per share, in LTL	0.02	0.02	0.02	0.00	0.00
Amount of dividends, in LTL	1 694 400	2 180 784	3 220 670	0	0

Taxation of dividends. Profit taxation of legal entities is regulated by the Profit Law of the Republic of Lithuania No. IX-675 as of 20 December, 2001 and on its bases decisions and other legal acts adopted by the Government of the Republic of Lithuania. Paid dividends are charged with 15 per cent payment. Dividends of Lithuanian unit, possessing 10 per cent of issuer's capital for longer than one year, are not charged (with exceptions that are described in the Profit Law of the Republic of Lithuania). Dividends of foreign units are charged by applying a fee of 15 per cent income tax. If a foreign unit holds shares granting at least 10 per cent of votes for a period of at least 12 months, dividends paid to that foreign entity are not charged, except for the cases when a foreign entity receiving dividends is registered or differently organized in targeted countries.

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

Dividends are charged by 20 per cent tax, which is deducted and paid to the budget by the Bank in the established order.

20. Principles of the Internal audit performance

Internal Audit activity purposes, authorizations and functions are foreseen in the Internal Audit Staff Regulation, Methodology of the Internal Audit, which are prepared in accordance with the general organization regulations of the Internal Audit of the Bank approved by the Board of the Bank of Lithuania, International Internal Audit standards and the Code of ethics and are also approved in the Internal Audit Committee.

The Internal Audit Division by implementing its functions performs financial, eligibility, activity, management and informational system audit. A purpose of the Internal Audit: to independently and objectively audit the Banks' activity, to thoroughly and systematically evaluate the Bank's activity risk management, the efficiency of the internal control system processes, to assist the Bank in implementation of objectives by seeking to ensure that the objectives of the internal control could be achieved at the lowest cost and the functions of internal control would be efficiently implemented, which are foreseen in the normative documents of the Bank of Lithuania and Šiaulių bankas.

The Internal Audit Division is under direct control of the Internal Audit Committee and reports to the Internal Audit Committee at least every quarter. The Bank's Internal Audit Committee consists of 4 members: 3 supervisory council members of the Bank and one non-attached member. The purpose of the Internal Audit Committee – supervision of the bank's activity, internal control, risk management and internal audit system, the improvement of the Internal Audit Division work and ensuring of independent activity of internal audit division. The Internal Audit Committee performs functions foreseen in the regulations of the Internal Audit Committee approved by the Supervisory Council of the Bank. The Internal Audit Committee reports on its activity to the Bank Supervisory Council once a year.

The Internal Audit Division performs its functions by implementing annual and long-term 2009-2011 activity plans, which are approved by the Internal Audit Committee. The employees of the Internal Audit Division follow the principles of good faith, objectivity, confidentiality and competence.

The employees of the Internal Audit prepare the inspection programme before each audit, which shall foresee the purpose, volume and time of audit. Inspection programme shall be coordinated with the Head of Internal Audit division. The prepared draft report is coordinated with the Head of Internal Audit Division, the Head of audited entity and relevant head of division. The prepared and coordinated report is submitted to the members of the Board.

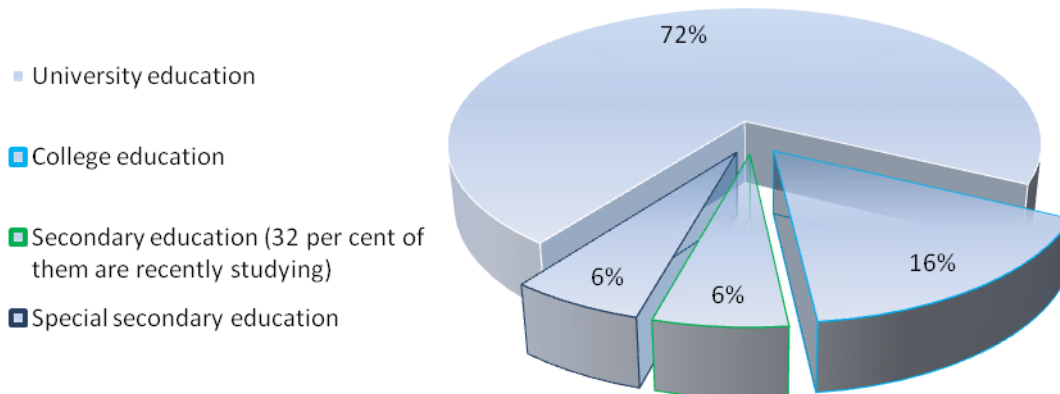
The heads of the Bank's divisions considering the recommendations and comments of the Internal Audit, approves the measures implementation plan of Recommendations prepared by the head of the audited subject and submitted in the report of Internal Audit. The Head of Internal Audit division considering the significance of provided conclusions and recommendations assigns the employees to perform the implementation control of recommendations (monitoring progress).

Monitoring progress includes the overcoming shortcomings established during the inspection by the external audits and the Bank of Lithuania as well as implementation inspections of provided recommendations.

21. Employees

As of December 31st 2010, Šiaulių bankas employed 481 staff members. In comparison with 2009 the number of employees in the Bank increased by 1 per cent. At the end of the reporting period the enterprises of Šiaulių bankas Group employed 545 staff members.

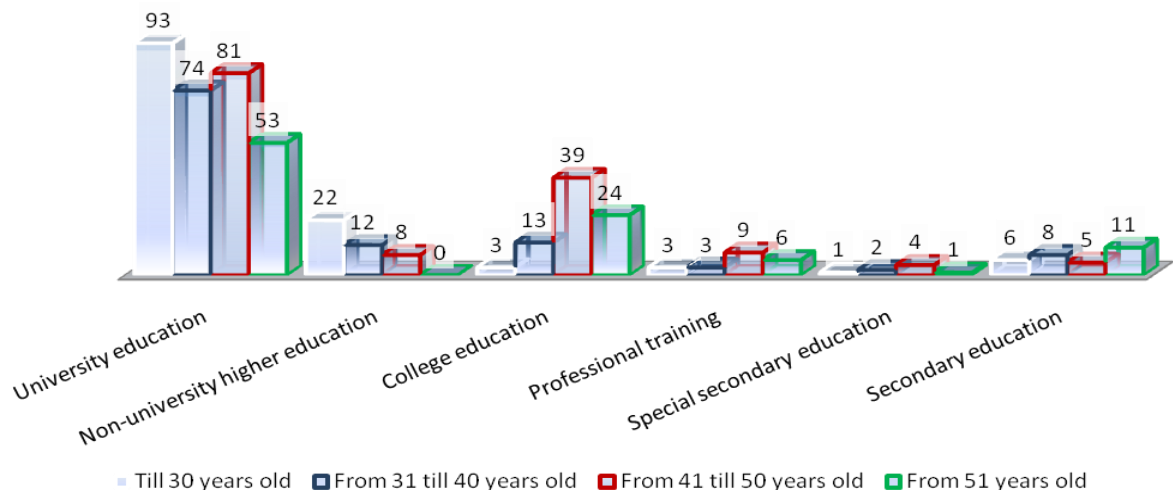
72 per cent of the total number of Šiaulių bankas' employees had the university education, 16 per cent had college, 6 per cent - secondary education (32 per cent of them are recently studying) and 6 per cent had special secondary education.



Education of Šiaulių bankas' employees as of 31 December 2010

At the end of 2010 the average age of the Bank's employees was 39 years.

Number of employees



Education of Šiaulių bankas' employees by age as of 31 December 2010

Implementing the Human Resource policy the Bank seeks creating and developing the long-term collaboration with its employees. 23 per cent of employees have been working in the bank for more than 10 years. The Bank's employees while providing financial services for the clients are helpful, reliable, effective and flexible. In 2010 the Remuneration Policy was approved where the attention is focused to the internal justice and external competitiveness principles.

The Bank seeks providing conditions for the employees to reveal themselves and develop; the Bank also creates modern work environment and seeks for opportunities to combine the employees' satisfaction and their commitments and thus ensuring the good quality of the performed tasks. The employees are provided with the opportunities to improve their competencies and skills in the internal and external seminars.

For the efficient use of the employees' competence, the Bank organizes internal contests to take up new positions, by providing career development possibilities for the employees. The enterprises of Šiaulių bankas group actively search for new employees among students.

The competent Bank employees participate in various events, conferences as lecturers. They also conduct seminars by presenting current financial programs implemented by the Government of the Republic of Lithuania. The bank also assists in implementing these programs.

Each year Šiaulių bankas takes part in "Career days" in Šiaulių University, constantly is searching for the students wishing to be admitted for traineeship in the bank or offers to combine work and studies. Not only Šiaulių bankas but also Šiaulių bankas' Groups are actively searching for future employees among students, organize apprenticeships by providing a possibility for the future graduates to acquire necessary experience, form their working skills as well organize trainings at their work. The Bank seeking that the employees would quickly adapt to the fast changing environment and needs of clients, encourage the employees to provide offers on development of the Bank's products.

A team of professional and reliable staff is of great importance, because on their work quality depends whether customers will be satisfied with the services provided by the Bank. Each year the inspection of the Bank's outlets is performed. Based on the results the implemented Clients' service standard in the Bank is being developed and corrected.

Motivating the employees, the Bank's Group is implementing flexible and motivation stimulating decisions: creates programmes, revises the remunerations; the Bank's group each year organizes „The person of the year“ elections.

A responsible behavior with the employees, provided accident insurance, prophylactic medicine services, payments on personal occasions, gym membership, the Bank's summer and winter sport and free time festivities: it is only a part of activity with the personnel implemented by the Bank. The Bank took part in the election of most attractive employer where it was provided with the nomination "For the internal company's image"

Average monthly salary of the relevant employee group before taxes:

Employees' group	2008		2009		2010	
	Average Number of employees	Average monthly salary, LTL	Average Number of employees	Average monthly salary, LTL	Average Number of employees	Average monthly salary, LTL
Management	8	23 039	8	17 106	8	14 910
Officers	484	2 410	454	1 980	441	1 967

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

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

Information about the Remuneration Committee: there is no Remuneration Committee in Šiaulių bankas.

22. The Bank's bodies

Bodies of the Bank are as follows: General Meeting of the Shareholders of the Bank, Council of the Bank, Board of the Bank and Chief Executive Officer. The Board the Bank and the Chief Executive Officer are managing bodies of the Bank.

Exclusively the General Shareholders' Meeting:

- » Amends Charter of the Bank, except of the cases, provided in the laws;
- » Elects the Council or its individual members;
- » Recalls the Council or its individual members;
- » Elects and recalls the audit company, sets terms of payment for audit services;
- » Approves annual financial statements of the Bank and business plan of the Bank;
- » Sets class, number, par value and minimum issue price of the shares, issued by the Bank;
- » Adopts resolution regarding:
 - Issuing of convertible bonds;
 - Cancellation of the preference right to purchase shares or convertible bonds of the Bank of a given emission to all of the shareholders;
 - Conversion of the Bank's shares of one class into another, approval of the conversion order;
 - Allocation of profit (loss);
 - Making, use, reduction and cancellation of reserves;
 - Increase of authorized capital;
 - Reduction of authorized capital, except of the cases, provided in the laws;
 - Purchase by the Bank of its own shares;
 - Reorganization or demerge of the Bank, approving terms of such reorganization or demerge;
 - Restructuring of the Bank;
 - Liquidation of the Bank, cancellation of liquidation, except of the cases, provided in the laws;

The Council of the Bank is a collegial body supervising the activities of the Bank and directed by its Chairman. The number of members of the Council is seven. The Council shall be elected by the General Meeting of Shareholders for a term of four years. In accordance with the Bank's Charter the number of tenures of the Council member is not limited.

The Council shall:

- » Elect members of the Board and remove them from office, make recommendations to the Board regarding the candidature for the Chairman of the Board. Prior approval of the Council is necessary to obtain before setting salaries of the Board members who hold other positions in the Bank, Chief Executive Officer and his deputies, as well as other terms of labour contract. If the Bank operates at a loss, the Council must consider the suitability of the Board members for their positions;
- » Elect members of the Internal Audit Committee;
- » Supervise activities of the Board and the Chief Executive Officer;
- » Supervise the implementation of business plans of the Bank, analyze the Bank's income and expenses, own investments and capital adequacy issues;
- » Adopt Council work regulation;
- » Approve business plans of the Bank and annual budget;
- » Approve any type of policies related to the Bank's activities including the risk management policy;
- » Approve the business strategy of every entity controlled by the Bank;
- » Ensure the effective internal control system in the Bank;
- » Make proposals and comments to the General Shareholders' Meeting on the Bank's work strategy, the Bank's annual financial statements, the draft of the profit (loss) distribution and the

report on the Bank's activities as well as activities of the Board and the Chief Executive Officer of the Bank;

- » Approve loan granting policy and set order of borrowing subject to Supervisory Board's approval;
- » Make proposals to the Board and the Chief Executive Officer to cancel their resolutions that contradict the laws and other legal acts, this Charter or resolutions of the Meeting;
- » Set the list of transactions and resolutions, making or implementation of which is subject to the Council's approval;
- » Adopt resolutions, assigned to the Council's competence according to the orders, approved by the Council; such order shall be adopted by the Council following the laws, this Charter or resolutions of the Meeting;
- » Consider other matters, subject to its consideration or solution, provided for in the laws of this Charter or in the resolutions adopted by the Meeting.

The Board of the Bank is a collegial Bank management body, consisting of five members. It manages the Bank, handles its matters and answers under the laws for the execution of the Bank's financial services. Order of the Board's work is set by the Board work regulations. The Board of the Bank is elected by the Council for a term of 4 years.

The Board shall consider and approve:

- » The structure of the Bank management and positions; posts in which persons are employed only by holding competitions;
- » Regulations of the branches, representatives and other separate subdivisions of the Bank;
- » Order of the Bank's loans granting, following the loan granting policy, approved by the Council;
- » Order of issuing guarantees, securities and taking of other liabilities;
- » Order of writing-off of the loans and other debt liabilities;
- » Regulations of the Loan Committee and Risk Management Committee of the Bank.
- » The Board shall elect and remove from office the Chief Executive Officer and his deputies. The Board sets salary and other terms of labour contract with the Chief Executive Officer, approves his Staff Regulations, induces and imposes sanctions to the Chief Executive Officer.
- » The Board determines the information to be considered commercial secret of the Bank.
- » The Board shall adopt:
- » Decisions on the Bank becoming the incorporator, member of other legal entities;
- » Decisions on opening branches, representatives and other separate subdivisions of the Bank as well as on cancellation of their activities;
- » Decisions on the investment, transfer or lease of long-term assets the balance-sheet whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- » Decisions on the mortgage or hypothecation of long-term assets the value whereof amounts to over 1/20 of the Bank's authorized capital (calculating separately for each kind of transaction);
- » Decisions on offering guarantee or surety for the discharge of obligations of other entities, when the amount of the obligations exceeds 1/20 of the Bank's authorized capital;
- » Decisions on the acquisition of long-term assets the price whereof exceeds 1/20 of the Bank's authorized capital;
- » Decisions on issuing of non-convertible bonds;
- » Board work regulation;
- » Decisions on other matters it has to consider or solve under the Laws or Charter of the Bank.

The Board shall set:

- » Terms for the shares issue of the Bank;
- » Order for issue of the bonds of the Bank. When the General Shareholders' Meeting adopts a resolution regarding the issuing of convertible bonds, the Board is entitled to set additional terms of issuing and to approve bond subscription agreements, signed by the Chief Executive Officer or his

authorized person;

» Order and cases of employment in the Bank, when the employees are engaged with the Board's approval.

» The Board shall execute the resolutions, adopted by the General Shareholders' Meeting and the Bank's Council.

The Board shall analyze and evaluate the material submitted by the Chief Executive Officer on:

» Implementation of the Bank's activities strategy;

» Arrangement of the Bank's activities;

» Financial state of the Bank;

» Results of economic activities, income and expenditure estimates, stock-taking data and other records of valuables.

» The Board shall also analyze, assess the Bank's draft annual financial statements and draft of the profit (loss) allocation and submit them to the Board and Meeting. The Board shall determine the methods of estimating material asset amortization and intangible property depreciation.

» The Board shall solve other matters of the Bank's activities, if they are out of the other managing bodies' competence under the laws and this Charter.

The Board shall convene and hold the General Shareholders' Meetings in due time.

Chief Executive Officer arranges everyday activities of the Bank and performs other actions necessary to perform his functions, to implement the decisions of the Bank's bodies and to ensure the Bank's activities.

Chief Executive Officer:

» Arranges everyday activities of the Bank;

» Engages and discharges employees, makes work contracts with them and terminates them, induces them and imposes sanctions. The Head of the Bank is entitled to authorize another Bank employee to perform actions listed therein;

» Sets calculation rates for assets depreciation, applied in the Bank;

» Without special authorization represents the Bank in its relations with other persons, in court and arbitration;

» Grants and cancels powers of attorney and procurements;

» Issues orders;

» Performs other actions, necessary to perform his functions, to implement decisions of the Bank's bodies and to ensure Bank's activities.

Chief Executive Officer is responsible for:

» Arrangement of the Bank's activity and implementation of its aims;

» Making of annual financial statements;

» Making of a contract with the audit company;

» Delivery of information and documents to the Meeting, Board and Council in the cases, provided for in the laws or upon request;

» Delivery of the Bank's documents and data to the custodian of the Register of Legal Entities;

» Delivery of the documents to the Securities Commission and to the Central Securities Depository of Lithuania;

» Publication of the information, prescribed by the laws and other legal acts, in the newspapers, stated in this Charter;

» Information delivery to the shareholders;

» Execution of other duties, prescribed by the laws and legal acts, this Charter and Staff regulations of the Chief Executive Officer.

The Chief Executive Officer acts on the Bank's behalf and is entitled to make transactions at his sole discretion, except for the exceptions, stated therein or in the resolutions of the bodies of the Bank.

23. Members of the Collegial bodies

The Bank's Supervisory Council

- » **Arvydas Salda** – a consultant of Šiaulių banko turto fondas UAB. The member of the Supervisory Council of Šiaulių bankas AB since 1991 (the Chairman of the Council since 1999).
- » **Sigitas Baguckas** – Procurist of Namų statyba UAB. Deputy Chairman of the Council of Šiaulių bankas AB since 2000, member of Council since 1991.
- » **Gintaras Kateiva** – an advisor of the director of Litagros mažmena UAB. Director General of Litagra UAB; a member of the Supervisory Council of Šiaulių bankas AB since 2008;
- » **Kastytis-Jonas Vyšniauskas** – Chairman of the Board of Sulinkiai UAB; member of the Supervisory Council of Šiaulių bankas AB since 1996.
- » **Vigintas Butkus** – Director of Mintaka UAB; Director of trade house Aiva UAB (secondary capacity). A member of the Supervisory Council of Šiaulių bankas AB since 2004.
- » **Vytautas Junevičius** – a consultant of Director General of Alita AB. A member of the Supervisory Council of Šiaulių bankas AB since 2006.
- » **Michael Anthony Hesketh** – Principal banker of the European Bank for Reconstruction and Development (EBRD). A member of the Supervisory Council of Šiaulių bankas AB since 2010.

The Bank's Board

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

Name, surname	Beginning/end of tenure	Share of capital under the right of ownership, %	Share of votes together with the related entities, %
Arvydas Salda	Beginning 27-03-2008 End 2012	2.97	48.26
Sigitas Baguckas	Beginning 27-03-2008 End 2012	0.75	48.26
Kastytis Jonas Vyšniauskas	Beginning 27-03-2008 End 2012	1.12	48.26
Vigintas Butkus	Beginning 27-03-2008 End 2012	0.44	48.26
Vytautas Junevičius	Beginning 27-03-2008 End 2012	0.15	48.26
Michael Anthony Hesketh	Beginning 29-03-2010 End 2012	-	-
Gintaras Kateiva	Beginning 27-03-2008 End 2012	7.18	48.26
Algirdas Butkus	Beginning 27-03-2008 End 2012	5.17	48.26
Donatas Savickas	Beginning 27-03-2008 End 2012	<0.01	48.26
Vita Adomaitytė	Beginning 27-03-2008 End 2012	0.02	48.26
Jonas Bartkus	Beginning 27-03-2008 End 2012	<0.01	48.26
Daiva Kiburienė	Beginning 27-03-2008 End 2012	0.01	48.26

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

Name, surname	Participation in the activity of other	Participation in the capital of other
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	companies (name of the company, position)	companies (percentage in the capital over 5%)
Arvydas Salda	<ul style="list-style-type: none"> Member of the Council of Šiauliai University Member of the Board of Klaipėdos LEZ valdymo bendrovė UAB Member of the Board of LEZ Projektų valdymas UAB A consultant of Šiaulių banko turto fondas UAB Member of the Board of Pavasaris UAB 	<ul style="list-style-type: none"> SLEZVB UAB – 11.05% STIV UAB – 14.61%
Sigitas Baguckas	<ul style="list-style-type: none"> Procurist of Namų statyba UAB 	<ul style="list-style-type: none"> Namų statyba UAB – 47.12%
Kastytis Jonas Vyšniauskas	<ul style="list-style-type: none"> Chairman of the Board of Sulinkiai UAB 	<ul style="list-style-type: none"> Sulinkiai UAB – 13.82%
Vigintas Butkus	<ul style="list-style-type: none"> Director of trade house Aiva UAB Director of Mintaka UAB (secondary capacity) 	<ul style="list-style-type: none"> Šiaulių komercija AB – 9.82% Aiva UAB – 9.25% Mintaka UAB – 9.80%
Vytautas Junevičius	<ul style="list-style-type: none"> Companies' group Alita AB, Chairman of the Board and a consultant of Director General Chairman of the Board of Anykščių vynos AB 	<ul style="list-style-type: none"> ALT investicijos AB – 41.89% Companies' group Alita AB – 41.90% „Aunuva UAB – 50.00%
Gintaras Kateiva	<ul style="list-style-type: none"> Director General and Chairman of the Board of Litagra UAB Aan advisor of the Director of Litagros mažmena UAB 	<ul style="list-style-type: none"> Litagra UAB – 49.11%
Michael Anthony Hesketh	<ul style="list-style-type: none"> Principal banker of the European Bank for Reconstruction and Development (EBRD). Member of the Supervisory Council of TBC Bank (Georgia). 	-
Algirdas Butkus	-	<ul style="list-style-type: none"> Trade house Aiva UAB – 66.35% Šiaulių komercija AB – 19.99% Visnorus UAB – 24.94% Mintaka UAB – 68.08%
Donatas Savickas	-	-
Vita Adomaitytė	-	-
Jonas Bartkus	-	-
Daiva Kiburienė	-	-

Loans granted to the members of the Council and the Board of Šiaulių bankas as of December 31st 2010:

Members of management bodies	Granted loans, in thou LTL
Members of the Bank's Council	6 769
Members of the Bank's Board	16
TOTAL	6 785

There were no guarantees or warranties issued in 2010 regarding the fulfillment of liabilities of management bodies' members.

24. Transactions with related parties

There were transactions entered with related parties in the course of 2010. The related parties of the Bank are as follows: the members of the Bank's Supervisory Council and the Bank's Board, shareholders acting together under the Shareholders' Agreement, close family members of the mentioned related parties as well the Bank's subsidiaries and the companies which are controlled by the related parties, jointly controlled companies or companies, in which these related parties have a significant influence. All the transactions have been entered into normal market conditions. The

comprehensive description of the transactions is provided in the explanatory note of the financial statement of Šiaulių bankas AB for 2010.

25. Data on the publicly disclosed information

Publicly disclosed information in the course of 2010:

- » 27-01-2010 Opinion of the Board of Šiaulių bankas AB about the submitted mandatory non-competitive tender offer to buy shares of the Bank;
- » 17-02-2010 The report on implementation of mandatory non-competitive tender offer has been received;
- » 22-02-2010 Unaudited operating results of Šiaulių Bankas and the Bank's group for 2009;
- » 26-02-2010 Interim financial information of Šiaulių bankas AB for 12 months of 2009;
- » 03-03-2010 Corrected interim financial information for 12 months of 2009;
- » 05-03-2010 Convocation of the Ordinary General Meeting of Shareholders;
- » 09-03-2010 The draft resolutions for the Ordinary General Meeting of Shareholders to be held on 29 March 2010 regarding the agenda issues prepared by the Board of Šiaulių bankas AB;
- » 10-03-2010 Draft resolutions prepared by the Board for the Ordinary General Shareholders Meeting to be held on 29 March 2010;
- » 22-03-2010 Regarding the resignation of Šiaulių bankas AB Supervisory Council member;
- » 24-03-2010 Enterprises for real estate management have been acquired;
- » 29-03-2010 Resolutions of the Ordinary General Meeting of Shareholders;
- » 30-03-2010 Audited annual information for 2009;
- » 15-04-2010 Convocation of the Extraordinary General Meeting of Shareholders;
- » 26-04-2010 Draft resolutions prepared by the Board for the Extraordinary General Shareholders Meeting to be held on 18 May 2010;
- » 05-05-2010 The unaudited activity result for the first quarter of 2010 of Šiaulių bankas AB and the Bank's Group;
- » 18-05-2010 Decisions of the Extraordinary General Meeting of Shareholders;
- » 28-05-2010 Financial statements of Šiaulių bankas AB for the first quarter of 2010;
- » 22-06-2010 Amended Charter with increased authorized capital has been registered;
- » 07-07-2010 registered base prospectus of non-equity securities issue in the amount of LTL 200 000 000;
- » 03-08-2010 Operating results of Šiaulių bankas for the first half-year of 2010;
- » 31-08-2010 Interim financial information of Šiaulių bankas AB for 6 months of 2010;
- » 15-10-2010 Convocation of the Extraordinary General Meeting of Shareholders;
- » 15-10-2010 The draft resolutions prepared by the Board for the Extraordinary General Meeting of Shareholders to be held on 18 November 2010;
- » 18-10-2010 New bonds issue;
- » 21-10-2010 Regarding registration of non-equity securities;
- » 29-10-2010 Unaudited Operating results of Šiaulių Bankas and the Bank's group for 9 months 2010;
- » 09-11-2010 Changes in the draft resolutions of the Board for the Extraordinary General Meeting of Shareholders to be held on 18-11-2010;
- » 17-11-2010 Interim information for the 9 months 2010;
- » 18-11-2010 Resolutions of the Extraordinary General Meeting of Shareholders;
- » Reports regarding the transactions with the Bank's shares made by the Bank's senior management.

Šiaulių bankas AB has informed the Securities Commission of the Republic of Lithuania and Vilnius Stock Exchange (AB NASDAQ OMX Vilnius) about all the stock events in accordance with the procedures set by the Charter and the legal acts of the Republic of Lithuania. Reports are announced in the Central regulated information base and on the Šiaulių bankas' website www.sb.lt.

Reports on the Meetings of Shareholders are additionally announced in the daily newspapers “Lietuvos rytas” and “Šiaulių kraštas”.

26. Procedures of Charter amendments

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

27. Information regarding compliance with the Governance Code

The Bank operates in compliance with the many standards set in the Governance Code. Information about how the Bank complies with the particular articles of the Governance Code is provided in the annexed enclosed to the present report together with the financial statements of 2010. The entire information is also available on the website of Šiaulių bankas www.sb.lt.

Chairman of the Board



Algirdas Butkus

04-03-2011