AB ŪKIO BANKAS

Independent Auditor's Report,
Annual Report and
Financial Statements
for the year ended 31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Ūkio Bankas:

Report on the Financial Statements

We have audited the accompanying financial statements (page 23 to 104) of AB Ūkio Bankas ("the Bank") and the consolidated financial statements of AB Ūkio Bankas and subsidiaries ("the Group"), which comprise the statement of financial position and the consolidated statement of financial position as of 31 December 2009, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

As required by the Law on Banks of the Republic of Lithuania, Article 61, the Bank has presented financial information (page 105 to 111) of the Financial Group that, comprise financial information extracted from the financial statements of the Bank and the consolidated financial statements of the Group. In our opinion, the financial information of the Financial Group is consistent, in all material respects, with the financial statements of the Bank and the consolidated financial statements of the Group from which it was derived.

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2009 (page 5 to 22) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2009.

Torben Pedersen
Partner

Certified auditor Romanas Skrebnevskis
Auditor's Certificate No. 000471

Deloitte Lietuva UAB
Vilnius, Lithuania
17 February 2010

REPORTING PERIOD

The annual report includes information for the year 2009. All amounts are presented as of 31 December 2009 or for the year then ended, unless otherwise stated. AB Ūkio Bankas is also being referred to as "the Bank" and AB Ūkio Bankas Group – "the Group".

COMPANIES CONSTITUTING THE GROUP AND THEIR CONTACT DETAILS

As of 31 December 2009, AB Ūkio Bankas Group consisted of AB Ūkio Bankas (parent company) and 6 subsidiaries listed below:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100%
UAB GD Bonum Publicum	Life insurance	Vilnius, Lithuania	100%
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100%
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Asset management and administration	Kaunas, Lithuania	100%
RAB Ukio Bank Lizing *	Finance lease	Kiev, Ukraine	100%
UAB Investicinio turto valdymas	Asset management and administration	Vilnius, Lithuania	100%

* UAB Ūkio Banko Lizingas owns 100% of the shares of RAB Ukio Bank Lizing.

Contact details of parent company:

Name of the Bank	AB Ūkio Bankas
Legal organizational form	Joint-stock company
Registration place and date	State Enterprise Registers Centre, Republic of Lithuania, 19 November 1990
Registration number	112020136
Head Office address	Maironio str. 25, LT-44250 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 301
Fax number	+370 37 323 188
E-mail address	ub@ub.lt
Website	www.ub.lt

Contact details of UAB Ūkio Banko Lizingas:

Name of the Subsidiary	UAB Ūkio Banko Lizingas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 14 July 1997
Registration number	234995490
Head Office address	Donelaičio str. 60, LT-44248 Kaunas, Republic of Lithuania
Telephone number	+370 37 407 200
E-mail address	info@ubl.lt
Website	www.ubl.lt

Contact details of GD UAB Bonum Publicum:

Name of the Subsidiary	GD UAB Bonum Publicum
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 31 August 2000
Registration number	110081788
Head Office address	A. Goštauto str. 40, LT-01112 Vilnius, Republic of Lithuania
Telephone number	+370 5 236 27 23
E-mail address	life@bonumpublicum.lt
Website	www.bonumpublicum.lt

Contact details of UAB Ūkio Banko Investicijų valdymas:

Name of the Subsidiary	UAB Ūkio Banko Investicijų Valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 3 April 2006
Registration number	300556509
Head Office address	J. Gruodžio str. 9, LT-44293 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 390, +370 37 395 526
E-mail address	fondai@ub.lt
Website	www.ub.lt

Contact details of UAB Ūkio Banko Rizikos Kapitalo Valdymas:

Name of the Subsidiary	UAB Ūkio Banko Rizikos Kapitalo Valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 26 June 2007
Registration number	300890619
Head Office address	Laisvės al. 80/Maironio g. 26, LT-44249 Kaunas, Republic of Lithuania
Telephone number	+370 37 395 550, +370 686 74 002
E-mail address	info@ubrkv.lt
Website	www.ubrkv.lt

Contact details of RAB Ukio Bank Lizing:

Name of the Subsidiary	RAB Ukio Bank Lizing
Legal organizational form	Limited liability company
Registration date and place	State administration of Sevcenko district, Kiev, Ukraine, 13 February 2006
Registration number	34003114
Head Office address	Artema 14A-43, Kiev, 04053, Ukraine
Telephone number	+38 044 502 83 10
E-mail address	ubl-ukraine@ubl.lt
Website	www.ubleasing.kiev.ua

Contact details of UAB Investicinio turto valdymas:

Name of the Subsidiary	UAB Investicinio turto valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 30 May 2005
Registration number	300118934
Head Office address	Aguonų str. 10, LT- 03213 Vilnius, Republic of Lithuania
Telephone number	+370 687 32405, +370 37 301 301
E-mail address	ub@ub.lt
Website	www.ub.lt

MAIN ACTIVITIES OF THE GROUP

According to the License No. 1 issued to AB Ūkio Bankas pursuant to the resolution No. 19 of the Bank of Lithuania as of 19 November 1990 the Bank is entitled to provide licensed financial services defined in Paragraph 6 of Article 2 of the Law on Banks of the Republic of Lithuania.

The description of the main activities of AB Ūkio Bankas subsidiaries has been provided above.

AGREEMENTS WITH MARKET INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

AB Ūkio Bankas has entered into service agreements with the following intermediaries of public trading in securities:

Intermediary	Address	Nature of the agreement
AB DnB NORD Bankas	J. Basanaviciaus str. 26, Vilnius	Agreement on financial instruments account handling and execution of orders
AB Swedbank	Konstitucijos ave. 20A, 03502 Vilnius	Securities account handling and intermediation agreement
AS Swedbank	Liivalaia str. 8, Tallinn, Estonia	Securities account handling and intermediation agreement
AS Swedbank	Balasta dambis 1 a, Riga, Latvia	Securities account handling and intermediation agreement
AB SEB bankas	Gedimino ave. 12, Vilnius	Securities account handling agreement
AB Parex bankas	K. Kalinausko str. 13, 03107 Vilnius	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders
UAB FMĮ Finbaltus	Konstitucijos ave. 23 C, 660, 08105 Vilnius	Securities accounts servicing agreement
UAB FMĮ Finasta	Maironio str. 11, 01124 Vilnius	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders

(continued)

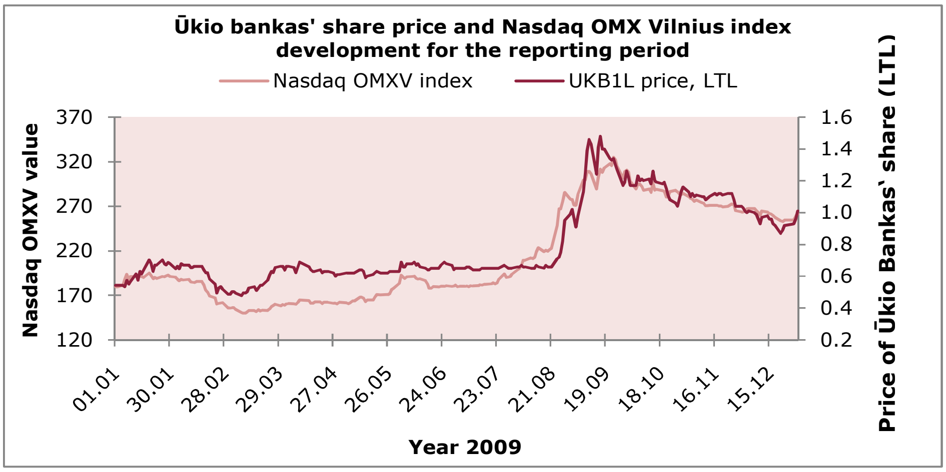
Intermediary	Address	Nature of the agreement
Nova Banka A. D. Bijeljina	Knjaza Milosa 15, 78000 Banja Luka, Srpska Republika	Brokerage service agreement
Balkan Investment Bank AD, Banja Luka Balkan Investment Broker, Banja Luka	Krajiskih brigada br. 2, Banja Luka, Srpska Republika, BiH	Brokerage service agreement
Troika Dialog (Bermuda) Limited	Chancery Hall 52 Reid str., Hamilton HM 12 Bermuda	Intermediation and brokerage service agreement
Deutsche Bank AG	Winchester House, 1 Great Winchester str., London	Securities custody agreement
Deutsche Bank AG	Herengracht 450-454 NL-1017 CA Amsterdam	Securities custody agreement
ОАО Банк ЗЕНИТ	9, Banny pereulok, Moscow, Russia	Agreement on the performance of operations on the securities market
Erste Bank Befektetesi Rt.	Madach Imre u. 13-15, 1075 Budapest	Intermediation agreement
SC Parex Asset Management	Basteja Boulevard 14, LV-1050 Riga, Latvia	Agreement on investment portfolio management
SG Private Banking (Suisse) S.A.	Rue de la Corraterie 6, Case postale 5022, 1211 Geneve 11	Agreement on securities custody and brokerage service
Hauck & Aufhaeuser Privatbankiers KGaA	Kaiserstrasse 24 60311 Frankfurt am Main Germany	Securities custody agreement
Credit Suisse	Uetlibergstrasse 231, Postfach 100, CH-8070 Zurich, Switzerland	Agreement on securities custody and brokerage service
Interactive brokers	Gotthardstrasse 3, 6301 Zug, Switzerland	Brokerage service agreement
ASD Financial Services Corp.	25 SE Second Avenue, Suite 606 Miami, Florida 33131 USA	Intermediation agreement

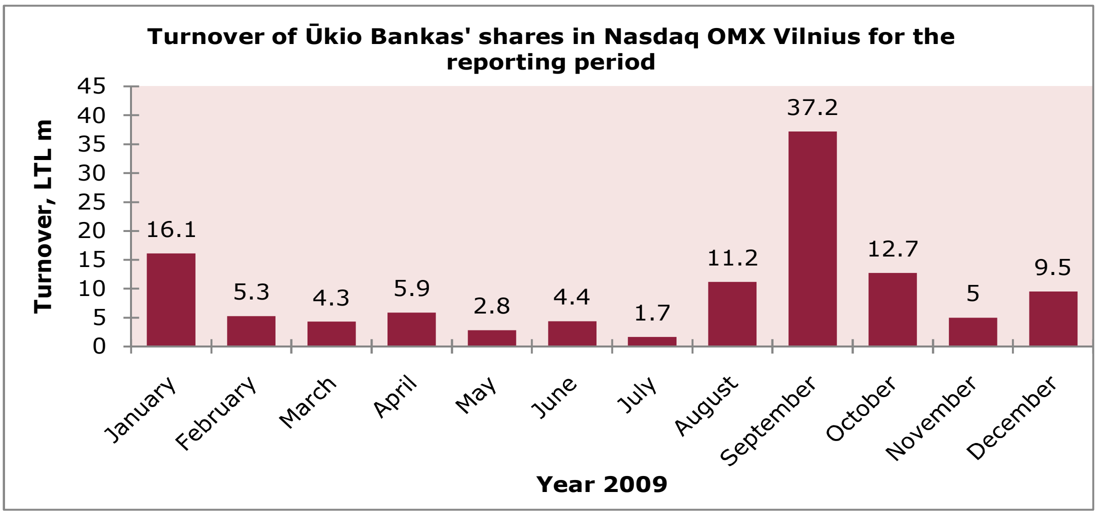
(Concluded)

TRADING IN THE BANK'S SECURITIES ON STOCK EXCHANGES

AB Ūkio Bankas ordinary registered shares (name: UKB1L) are traded on NASDAQ OMX Vilnius Stock Exchange (VSE) (http://www.nasdaqomxbaltic.com/) Official List. As of 31 December 2009 245,824,000 (two hundred forty five million eight hundred twenty four thousand) ordinary registered shares were quoted on the NASDAQ OMX Vilnius Stock Exchange.

AB ŪKIO BANKAS SHARE PRICE PERFORMANCE AND TURNOVER FOR THE REPORTING PERIOD





AUTHORIZED CAPITAL AND ITS STRUCTURE

As of 31 December 2009 the authorized capital of the Bank amounted to LTL'000 245,824 (two hundred forty five million eight hundred twenty four thousand) and it was divided into 245,824,000 (two hundred forty five million eight hundred twenty four thousand) ordinary registered shares. The nominal value is LTL 1 (one) per share.

All shares are fully paid. The rights of all the shares are equal; there are no restrictions on the share disposal.

Every ordinary registered share of the Bank provides 1 (one) vote for its owner in the General Meeting of the Shareholders.

Shareholders have property and non-property rights.

The shareholders of AB Ūkio Bankas have the following property rights:
- gain part of the profit of the Bank (dividend);
- gain Bank's funds when an authorized capital is decreased seeking to pay out for shareholders;
- gain part of the property of the liquidated Bank;
- gain shares free of charge when the authorized capital is increased out of the funds of the Bank except for the exceptions as stated in Part 3 of Article 42 of the Law on Joint Stock Companies of the Republic of Lithuania;
- have a right of pre-emption to acquire shares or converted bonds emitted by the Bank except for the case when the General Meeting of the Shareholders following the order established by the Law on Joint Stock Companies of the Republic of Lithuania decides to cancel the right of pre-emption for all the shareholders;
- in the manner established by laws lend to the Bank, but the Bank borrowing from its shareholders does not have a right to mortgage its property to the shareholders. When the Bank borrows from the shareholder, the interests must not exceed the average interest rate that is valid at the moment of the conclusion of the loan agreement at the commercial banks located in the place of residence and business of the lender. In this case, the Bank and the shareholders are forbidden to agree on higher interest rate;
- other property rights as established by laws.

The shareholders of AB Ūkio Bankas have the following non-property rights:
- participate at the General Meetings of the Shareholders;
- submit questions related to agenda of General Meetings of the Shareholders in advance;
- according to the rights as provided by the shares to vote in General Meetings of the Shareholders;
- receive information on the Bank as stated in Part 1 of Article 18 of the Law on Joint Stock Companies of the Republic of Lithuania;
- address the court with a claim pleading to recover the loss for the Bank that was incurred due to the non-performance or improper performance of the duties of the Head of the Administration of the Bank and members of the Board as established in the Law on Joint Stock Companies and other laws of the Republic of Lithuania as well as Articles of the Bank, as well as in other cases as established by the laws;
- other non-property rights as established by the laws.

Voting right in the General Meetings of the Shareholders is provided only by fully paid shares.

In case of increasing the Bank's authorized capital, a person shall become the Bank's shareholder and acquire all rights and duties granted to him by the proportion of the Bank's authorized capital and/or voting rights acquired by him from the date of registration of amendments to the Bank's Statute regarding an increase in the Bank's authorized capital and/or voting rights.

The part of the authorized capital of the Bank and (or) voting rights that are possessed by a person having acquired the qualified part of the authorized capital of the Bank and (or) voting rights or having increased it without a consent of the supervising institution when such a consent was necessary, or when the supervising institution makes a decision to suspend the right to use the voting right, looses the voting right in the General Meeting of the Shareholders of the Bank.

Increasing the authorized capital of the Bank by additional contributions, the new shares of the Bank can be paid only by money or demand rights according to the commitments of the Bank to pay, except for the cases when the authorized capital of the Bank is increased during the re-organization of the Bank. The person having signed the shares must fully pay the shares of the Bank not later than until the day when the Bank addresses the supervising institution regarding the issue of a permission to register the amendments of the Articles of the Bank related to the increase of the authorized capital of the Bank.

As of 31 December 2009 the Bank had subordinated loan in the amount of LTL'000 3,607 denominated in USD which could be converted to newly issued shares on the maturity date (7 January 2010).

RESTRICTIONS ON SECURITIES TRANSFER

There are no restrictions to freely transfer shares of the Bank, except for the cases cited in the Republic of Lithuania Law on Banks. Shareholders of a bank may not be:

- the legal persons financed from State or municipal budgets;
- the persons who have not submitted, in the cases and according to the procedure set forth by legal acts, to the supervisory institution data on their identities, members, activities, financial situation, the heads of a legal person, the persons for whose benefit shares are acquired or the legitimacy of the acquisition of the funds used to acquire the bank's shares or who have not proved the legitimacy of the acquisition of the funds used to acquire the bank's shares;
- the persons who object that the supervisory institution manages, in the cases and according to the procedure set forth by laws and other legal acts, their data required for the issuance of the licenses and granting of the authorizations and consents provided for under the Law on Banks of the Republic of Lithuania, including their personal data and information on a person's previous convictions and health.

A person or the persons acting in concert who have taken a decision on the acquisition of a qualifying holding in a Bank's authorized capital and/or voting rights or to increase it so that the proportion of the Bank's authorized capital and/or voting rights held by him would reach or exceed 20%, 30% or 50% of the holding or so that the bank would become controlled by him must give a written notice thereof to the supervisory institution and indicate the size of the proportion of the qualifying holding in the Bank's authorized capital and/or voting rights to be acquired, also submit the documents and provide the data specified in a list indicated in Paragraph 2 of Article 25 of the Law on Banks of the Republic of Lithuania.

SHAREHOLDERS

As of 31 December 2009 the Bank had 11,195 Bank's shareholders, who were holding 245,824,000 shares. The nominal value of each AB Ūkio Bankas ordinary registered share is LTL 1.

Over 5% of the registered authorized capital of the Bank was owned by the following shareholders (31 December 2009):

Shareholder's corporate name/ full name	Shareholder's code	Address	Shares held under the property right, number/ percentage of authorized capital, %	Votes held under the property right, number/ percentage of votes, %	Votes held in concert with other persons, number/ percentage of votes, %
Romanov Vladimir	-	-	80,992,132/ 32.9472%	80,992,132/ 32.9472%	80,992,132/ 32.9472%
UAB Universal Business Investment Group Management	210869960	Donelaičio str. 60, Kaunas, Lietuva	24,557,256/ 9.9898%	24,557,256/ 9.9898%	24,557,256/ 9.9898%
Romanova Zinaida	-	-	21,452,470/ 8.7268%	21,452,470/ 8.7268%	21,452,470/ 8.7268%
UAB "FIRST Partneriai"	301145610	Donelaičio str. 60, Kaunas, Lietuva	16,814,573/ 6.8401%	16,814,573/ 6.8401%	16,814,573/ 6.8401%
Other			102,007,569/ 41.4962%	102,007,569/ 41.4962%	102,007,569/ 41.4962%
TOTAL:			**245,824,000/ 100.00%**	**245,824,000/ 100.00%**	**245,824,000/ 100.00%**

- there are no shareholders of AB Ūkio Bankas acting in concert;
- Bank has no shareholders having special control rights;
- Bank does not have any information on any restrictions of voting rights;
- Bank does not have any information on any reciprocal agreements of shareholders because of which restrictions upon securities and voting rights transfer can be applied.

EMPLOYEES OF THE BANK

As of 31 December 2009, the average number of AB Ūkio Bankas employees was 626. 74% of them had the university education and 15% had college education. 11% had secondary education or was still studying as of 31 December 2009.

AB Ūkio Bankas employee groups and average monthly salary in each group are presented in the table below:

	Average number of employees			Of these with higher education			Average monthly salary (before taxes, in LTL)		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Managing employees	123	120	90	115	110	83	6,208	7,040	9,932
Specialists	465	514	442	336	404	360	3,030	2,963	2,848
Other employees	38	34	31	12	5	3	2,756	2,934	2,358
Total	**626**	**668**	**563**	**463**	**519**	**446**	**3,638**	**3,694**	**3,953**

The staff policy of AB Ūkio Bankas is oriented to long-term employment relations. 24% of the staff has worked with the Bank for over 10 years. Conditions are created for the employees to advance their skills, raise qualification, study, be career-oriented and realise their best abilities.

There are no collective agreements signed in AB Ūkio Bankas.

RULES GOVERNING THE STATUTE CHANGE OF THE BANK

The annual shareholders meeting can, by a qualified majority of votes, that cannot be less than 2/3 of all the possible votes of shareholders that are attending the meeting, make a decision to change the Bank‘s statute. There are exceptions to this general rule that are put down in the Law Governing Joint-Stock Companies of the Republic of Lithuania.

Changes of the Banks statute can only be registered at the juridical persons registrar after receiving a permission to do so from a supervising institution, if the changes are made about: 1) the Name of the Bank; 2) the size of the authorized capital; 3) the number of shares, also about the number of each type of shares, their par value and the rights they grant; 4) the competence of the bodies of the Bank, the order of electing and deposing their members.

Permission to register changes in the Bank’s statute is given by a supervising institution, following the rules, mentioned in the Bank Law of the Republic of Lithuania and in acts of the supervising institution itself. If the Bank wants to receive the permission to register the changes in the statute, it is required to give a request to the supervising institution along with other documents and data that are required by the acts of that institution. If changes in the statute are related to increase of authorized capital of the Bank, documents and data mentioned in Items 6 and 7 of Paragraph 2 of Article 8 of the Law on the Banks of the Republic of Lithuania have to be provided.

Changes in the statute cease to exist if they are not given to the juridical persons’ registrar within 12 months from the signing of the changes or from the moment when the annual shareholders meeting decides to change the statute.

BODIES OF THE BANK AND THEIR AUTHORITY

The bodies of AB Ūkio Bankas are the General Meeting of the Shareholders, the Supervisory Council of the Bank, the Board of the Bank and the Head of the Administration (CEO) of the Bank. The managing bodies of the Bank are the Board and the Head of Administration of the Bank.

The General Meeting of the Shareholders

The General Meeting of Shareholders by a simple majority of votes is entitled:

- to elect the members of the Supervisory Council of the Bank;
- to revoke Supervisory Council of the Bank or its members;
- to elect and to revoke the auditing company, to define the conditions of payment for the auditing services;
- to approve the annual financial statements;
- to adopt a resolution for the Bank to acquire its own shares;
- to elect and to revoke the Liquidator of the Bank, excluding cases of exceptions specified in the Law of the Republic of Lithuania on Joint-Stock Companies.

The General Meeting of Shareholders by a qualified majority of votes that cannot be less than 2/3 of votes attached to the shares of shareholders participating in the General Meeting of Shareholders adopts the following resolutions:

- to change the Articles of the Bank, excluding cases of exceptions specified in the Law of the Republic of Lithuania on Joint-Stock Companies;
- to determine the class, number, nominal value and minimum emission price of shares issued by the Bank;
- to convert shares of the Bank from one class to another, to approve the regulations for conversion of shares;
- to issue convertible securities;
- regarding distribution of profit (loss);
- regarding formation, usage, reduction and cancellation of reserves;
- to increase the authorized capital;

- to reduce the authorized capital, excluding cases of exceptions specified in the Law of the Republic of Lithuania on Joint-Stock Companies;
- regarding reorganization or separation of the Bank and approval of conditions for reorganization or separation;
- regarding reformation of the Bank;
- regarding restructuring of the Bank;
- regarding liquidation or revocation of liquidation of the Bank, excluding cases of exceptions specified in the Law of the Republic of Lithuania on Joint-Stock Companies;
- to transfer to the managerial bodies of the Bank the right to manage the total property of the Bank.

The resolution to cancel the priority right of all shareholders to obtain shares of a concrete emission issued by the Bank or convertible securities of a concrete emission issued by the Bank is adopted by a qualified majority of votes which cannot be less than 3/4 of votes attached to the shares held by shareholders participating in the General Meeting of Shareholders and holding the right to vote in solving the issue.

The General Meeting of Shareholders considers or solves other issues that have to be considered or solved by the General Meeting of Shareholders according to the laws or other legal acts of the Republic of Lithuania.

The General Meeting of Shareholders may adopt resolutions and is considered to have taken place when it is attended by shareholders who hold shares that entitle them to more than 1/2 of total votes. After establishing the presence of the quorum, it is considered that it is present throughout the meeting. If there is no quorum, the General Meeting of Shareholders is considered not to have taken place and a repeated General Meeting of Shareholders must be convened with the right to adopt resolutions only on the agenda of the failed meeting, the requirement for quorum being not applicable.

In the determination of the total number of votes attached to the shares of the Bank and the quorum of the General Meeting of Shareholders, the shares with an attached right of vote the usage of which is prohibited under the laws or by a Court judgment are considered to be not entitling to vote.

The voting at the General Meeting of Shareholders is open. Secret voting is obligatory for all shareholders on those issues on which secret voting is requested by at least one shareholder and this is supported by shareholders holding shares that entitle to no less than 1/10 of votes at the General Meeting of Shareholders.

The Supervisory Council of the Bank
The Supervisory Council of the Bank is a collegial body conducting the supervision over the Bank's activities. The Supervisory Council of the Bank is formed of 5 members. It is elected by the General Meeting of Shareholders. In the election of the members of the Supervisory Council of the Bank, each shareholder has such number of votes that is equal to the product obtained by multiplying the number of votes granted to him by the shares held by him and the number of the members of the Supervisory Council of the Bank to be elected. Such votes are distributed by the shareholder at his own discretion – by voting either for one or several candidates. The candidates who receive more votes are elected. If the number of candidates who receive an equal number of votes is higher than the number of positions to be taken at the Supervisory Council of the Bank, a repeated voting is held during which each shareholder may only vote for one of those candidates who received an equal number of votes.

The Supervisory Council of the Bank is elected for 4 years. The Supervisory Council of the Bank performs its functions for a period of time indicated in the Articles of the Bank or till a new Supervisory Council of the Bank is elected but no longer than till the ordinary General Meeting of Shareholders held in the year of the end of term of office of the Supervisory Council of the Bank. The number of terms of office of a member of the Supervisory Council of the Bank is not limited.

The Supervisory Council of the Bank elects the Chairman of the Supervisory Council of the Bank from its members.

The sittings of the Supervisory Council of the Bank are summoned by the Chairman of the Supervisory Council of the Bank.

A member of the Supervisory Council of the Bank may resign from office before the expiry of the term of office by giving a notification in writing to the Bank no later than 14 days in advance.

If a member of the Supervisory Council of the Bank is recalled, resigns or for some other reason ceases to be in office and the shareholders holding the shares that entitle them to no less than 1/10 of total votes oppose the election of separate members of the Supervisory Council of the Bank, the Supervisory Council of the Bank is deprived of its authorities and a complete Supervisory Council of the Bank has to be elected. If separate members of the Supervisory Council of the Bank are elected, they are elected till the end of the term of office of the Supervisory Council of the Bank currently in office.

The Supervisory Council or its members start their activities at the end of the General Meeting of Shareholders that elected the Supervisory Council of the Bank or its members.

The Supervisory Council of the Bank:

- approves plans of the Bank activities;
- determines regulations for lending which can only be executed with the approval of the Supervisory Council of the Bank;
- ensures that the Bank has an effective internal control system;
- elects members of the Board of the Bank and recalls them from office. If the Bank experiences losses in its work, the Supervisory Council of the Bank has to consider whether the members of the Board of the Bank are suitable for the office;

- supervises the activities of the Head of the Board and the Heads of Administration of the Bank and fixes the range of the salaries for the members of the Board of the Bank who hold a position in the Bank and Heads of Administration of the Bank;
- presents to the General Meeting of Shareholders suggestions and comments regarding Bank activity strategies, annual financial accountability, profit distribution project and report on the Bank activities as well as on the activities of the Head of the Board and the Head of Administration of the Bank;
- submits suggestions to the Board and the Head of Administration of the Bank to revoke their resolutions that contradict laws and other legal acts, the Articles of the Bank or resolutions adopted by the General Meeting of Shareholders;
- forms a Committee for Internal Audit, approves of its Articles and controls its activities;
- considers and solves issues that must be considered or solved by the Supervisory Council of the Bank according to the laws on banks and other laws of the Republic of Lithuania or the Articles of the Bank, and other issues of supervision of activities of the Bank and its managerial bodies assigned to the competence of the Supervisory Council of the Bank by the resolutions of the General Meeting of Shareholders.

The Board of the Bank

The Board of the Bank is a collegial body of Bank management. The Board of the Bank consisting of 3 members is elected by the Supervisory Council of the Bank for no more than 4 years. If separate members of the Board of the Bank are elected, they are elected only till the end of the term of office of the Board currently in office. The Board of the Bank elects the Chairman of the Board of the Bank from its members.

The Board of the Bank performs its functions for a period of time indicated in the Articles of the Bank or till a new Board is elected and starts working but no longer than till the ordinary General Meeting of Shareholders held in the year of the end of the term of office of the Board of the Bank.

A member of the Board of the Bank may resign from office before the expiry of the term of office by giving a notification in writing to the Bank no later than 14 days in advance.

The Supervisory Council of the Bank may recall the entire Board of the Bank or its separate members before the end of the term of office.

The Board of the Bank:

1. elects (appoints) and recalls the Head and the Deputy Head of Administration of the Bank;
2. considers and approves:
    - 2.1. the strategy of Bank activity;
    - 2.2. Bank’s annual statement;
    - 2.3. Bank management structure and positions of employees;
    - 2.4. positions to which employees are admitted by a competition procedure;
    - 2.5. regulations for branches, representation offices and structural sub-divisions of the Bank;
3. determines the salaries, other provisions of the employment agreements of the Heads of Administration of the Bank, approves the regulations for their positions held, motivates them, administers penalties;
4. determines information that is considered a secret of the Bank; information that has to be public according to the Law of the Republic of Lithuania on Joint-Stock Companies and other laws may not be considered a secret of the Bank;
5. determines areas of activities of the members of the Board of the Bank;
6. approves the manner for payment for work and payment of bonuses for the employees, fixes the range of their salaries;
7. approves the functions and procedure for the formation and activities of the Bank's Committee for Loans and the Committee for Management of Risks, approves the regulations of these Committees;
8. approves the categories of residents' deposits and conditions of keeping them;
9. adopts resolutions regarding the improvement of working, domestic, social, recreation conditions of the employees of the Bank;
10. adopts resolutions regarding granting and taking of loans within the competence assigned to it;
11. adopts resolutions regarding writing off detrimental loans and determines the procedure of writing loans off;
12. manages, uses and operates the property taken over for loans;
13. appoints persons for representation in companies in which the Bank has shares;
14. adopts resolutions regarding emission of the Bank's debenture bonds and the regulations for their circulation;
15. determines the crediting policy of the Bank;
16. founds departments for serving the clients, approves their regulations and terminates their activities;
17. ensures that the rights, obligations and accountability of each structural sub-division of the Bank are clearly defined, and ensures that the obligations assigned are appropriately fulfilled;
18. develops procedures that would help to establish, measure, assess and monitor the risk of the Bank's activities;
19. determines the Bank's policy of internal control and watches whether the internal control system is appropriate and efficient;
20. determines the prices and tariffs of the services of the Bank;
21. is responsible for developing a system enabling to determine, measure, assess and monitor the risk of the Bank's activity. The Board of the Bank must periodically revise and assess the system and inform Supervisory Council of the Bank about it;
22. the Board analyzes and evaluates the material submitted by the Head of Administration of the Bank on:
    - 22.1. implementation of the strategy of the Bank's activities;
    - 22.2. organization of the Bank's activities;
    - 22.3. the financial condition of the Bank;

22.4. the results of economic activities, estimates of income and expenses, data of inventory taking and other data of accounts on changes in the property;

23. adopts resolutions for the Bank to become a founder of, participant in other legal entities;
24. adopts resolutions to found branches of the Bank and representation offices and to terminate their activities, and appoints and recalls their managers;
25. adopts resolutions regarding investment, transfer, rent of long-term property the balance value of which is higher than 1/20 of the authorized capital of the Bank (to be calculated separately for each type of transaction);
26. adopts resolutions regarding mortgage and hypothec of long-term property the balance value of which is higher than 1/20 of the authorized capital of the Bank (the total amount of transactions is calculated);
27. adopts resolutions regarding vouching or guarantee for liabilities of other persons the amount of which is higher than1/20 of the authorized capital of the Bank;
28. adopts resolutions to obtain long-term property at a cost that is higher than that of 1/20 of the authorized capital of the Bank;
29. analyzes, assesses the draft report on the annual financial accountability of the Bank and the profit (loss) distribution project and submits them to the Supervisory Council of the Bank and the General Meeting of Shareholders. The Board of the Bank determines the methods of calculation of tangible property depreciation and intangible property amortization;
30. considers or solves other issues that must be considered or solved by the Board of the Bank according to the laws of the Republic of Lithuania on banks and other laws or the Articles of the Bank, resolutions of the General Meeting of Shareholders;
31. solves other issues of the Bank's activities that are not assigned to the competence of other bodies of the Bank according to the laws or other legal acts of the Republic of Lithuania.

Before adopting resolutions specified in 25, 26, and 27 paragraphs above, the Board of the Bank must get an approval of the General Meeting of Shareholders.

The Board of the Bank is responsible for convening and organizing the General Meetings of Shareholders on time.

The Board must submit to the Supervisory Council of the Bank documents related to the activities of the Bank requested by it.

The members of the Board of the Bank must keep the secrets of the Bank that became known to them when they were members of the Board.

Work order of the Board is defined by working regulations of the Board of the Bank adopted by it.

Each member of the Board of the Bank must take all possible measures to ensure that the Board of the Bank solves issues assigned to its competence and that the solutions comply with the requirements provided in legal acts. The member of the Board of the Bank who does not fulfil or fails to fulfil appropriately this obligation or other obligations provided in legal acts bears responsibility according to laws, the Articles of the Bank, agreements concluded with the Bank.

Head of Bank Administration (CEO)
There is a Head and a Deputy Head of Administration in the Bank (hereunder referred to as Heads of Bank Administration).

The Chairman of the Board of the Bank must be the Head or the Deputy Head of Administration.

The Head of Bank Administration is an individual body of Bank management.

The Head of Bank Administration must be a natural person. A person who must not take this position according to legal acts cannot be the Head of Bank Administration.

An employment agreement is concluded with the Head of Bank Administration. The agreement with the Head of Bank Administration is signed by the Chairman of the Board of the Bank or another authorized member of the Board of the Bank. The agreement with the Head of Bank Administration who is the Chairman of the Board of the Bank is signed by a member of the Board of the Bank authorized by the Board. An agreement on total material responsibility of the Head of Bank Administration may be concluded with him. If the body that elected the Head of Bank Administration adopts a resolution to recall the Head of Bank Administration, the employment agreement concluded with him is terminated. Work-related disputes between the Head of Bank Administration and the Bank are heard at Court.

The Head of Bank Administration starts working in the position starting from his election if the agreement concluded with him does not state otherwise.

The Head of Bank Administration:
- organizes daily activities of the Bank;
- admits and dismisses employees, concludes and terminates employment agreements with them, approves the regulations for their positions held, motivates them and administers penalties;
- represents the Bank in the Republic of Lithuania and abroad without additional authorization;
- conducts transactions in the name of the Bank, represents the Bank in court, arbitration court, the authorities and management bodies and other institutions in the manner provided for in the laws;
- issues and cancels authorizations to represent the Bank;
- performs functions assigned to his competence by laws and other legal acts.

The Head of Bank Administration acts on behalf of the Bank and has the autocratic right to conduct transactions. The Head of Bank Administration may conduct transactions specified in the Law of the Republic of Lithuania on Joint-Stock Companies, Article 34, Paragraph 4, Items 3, 4, 5 and 6, when there is a resolution of the Board of the Bank to conduct such transactions.

The Head of Bank Administration is responsible for:

- organization of Bank's activities and implementation of its goals;
- formation of annual financial accountability and preparation of annual report of the Bank;
- concluding an agreement with an auditing company;
- submitting information and documents to the General Meeting of Shareholders, Supervisory Council of the Bank and the Board of the Bank in cases specified in the Law of the Republic of Lithuania on Joint-Stock Companies or upon their request;
- submitting documents and data of the Bank to the registrar of legal entities;
- submitting documents of the Bank to the Commission for Securities and the Lithuanian Central Depositary of Securities;
- public announcement of information determined in the Law of the Republic of Lithuania on Joint-Stock Companies;
- presenting information to the shareholders;
- fulfilment of other obligations determined in the Law on Joint- Stock Companies and other laws and legal acts of the Republic of Lithuania as well as the Articles of the Bank and working regulations of the Head of Bank Administration.

Transactions regarding investment, transfer, rent of long-term property the balance value of which is from 1/100 to 1/20 of the authorized capital of the Bank (calculated separately for each type of transaction) may be conducted only by both Heads of Administration acting together and being of the same opinion. In all other areas of activities that are assigned to the competence of the Head or the Deputy Head of Administration according to the laws, other legal acts of the Republic of Lithuania and Articles of the Bank, working regulations, resolutions of the bodies of the Bank, both the Head of Administration and his Deputy or persons authorized by them may act and conduct transactions independently.

Internal audit committee

Internal audit committee of the Bank (hereinafter referred to as the Committee) is a body established under the decision of the Supervisory Council of the Bank that assists Supervisory Council in execution of audit process functions, compliance to the law and external financial accountancy prudence.

The Committee is being established on the grounds of the decision of the Bank's Supervisory Council. The Committee is directly subordinated to the Supervisory Council and reports to it at least once per year. The Committee consists of at least 3 members. The composition and number of the members is approved by the Bank's Supervisory Council. The Chairman of the Committee is elected from the Committee members and monitors the work of the Committee. The sittings of the Committee are organized on demand but at least 4 times a year.

The key objectives of the Committee are to supervise:

- the process of the of the Bank's internal control system implementation;
- the process of the Bank's risk management system implementation;
- efficiency of internal audit process organization;
- the process of external audit including recommendations on external auditor selection provision;
- Bank's activity compliance to the law and law regulations.

The Committee performs the following functions:

1. observes the process of financial statements preparation and internal control, the efficiency of risk management and internal audit systems as well as audit and internal audit performance results;
2. discusses audit reports provided by the audit department, plans of drawbacks elimination and recommendations' implementation, state of internal audit plan's implementation and if necessary, takes appropriate actions;
3. Approves:
   3.1. long-term and current year's plans of the audit department;
   3.2. statute of the audit department and Head of Internal audit;
   3.3. annual activity report of the audit department;
   3.4. list and order of the audit report provision tp the persons that are provided with the audit report or its summary.
4. Provides to the Bank's Board for approval:
   4.1. audit department's current year budget, estimating the funds for employees qualification improvement, salary, IT and software acquisition;
   4.2. proposals on appointment/dismissal to/from positions of the Head of Audit department and Deputy director.
5. Assesses the suitability of the external audit company intended to hire, discusses results of external audit's inspection;
6. Periodically reviews and discusses the compliance of the Bank's activity with the law of the Republic of Lithuania, law regulations of the Bank of Lithuania, other law regulations, Bank's Articles of association, strategy of the Bank's activity;
7. Provides the Supervisory Council of the Bank with recommendations on selected Bank's external audit company;

8. Monitors how the auditor or audit company performing the bank's audit meets the principles of independence and objectiveness;
9. Performs other Committee's functions as prescribed in the provisions of the audit Committee and law regulations.

INFORMATION ABOUT MEMBERS OF COLLEGIAL BODIES, CEO, CHIEF ACCOUNTANT

As of 31 December 2009 members of AB Ūkio Bankas collegial bodies, CEO, Chief Accountant commencement and end of their office term and participation in the authorized capital are presented in the table below:

Full name	Position	Number of shares held	Percentage of Bank capital, %	Percentage of votes, %
	SUPERVISORY COUNCIL OF THE BANK			
Karpavičienė Edita, (elected 27 March 2009, office term expires in 2010)	Chairwoman	197,450	0.0803	0.0803
Kurauskienė Ala, (elected 24 March 2006, office term expires in 2010)	Deputy Chairwoman	405,024	0.1648	0.1648
Gončaruk Olga, (elected 24 March 2006, office term expires in 2010)	Member	8,124,854	3.3052	3.3052
Jakavičienė Gražina, (elected 24 March 2006, office term expires in 2010)	Member	11,286	0.0046	0.0046
Soldatenko Viktor, (elected 24 March 2006, office term expires in 2010)	Member	2,785	0.0011	0.0011
	BOARD OF THE BANK			
Ugianskis Gintaras, (appointed 24 March 2006, office term expires in 2010)	Chairman, Chief Executive Officer	96,225	0.0391	0.0391
Balandis Rolandas, (appointed 24 March 2006, office term expires in 2010)	Deputy Chairman, Head of International Banking Division	80,105	0.0326	0.0326
Žalys Arnas (appointed 24 March 2006, office term expires in 2010)	Deputy Chairman, Head of Finance Division	51,000	0.0207	0.0207
	CEO			
Ugianskis Gintaras (since 11 October 2004 to present)		96,225	0.0391	0.0391
	CHIEF ACCOUNTANT			
Petraitienė Vidutė (since 1 July 1999 to present)	Head of Accounting Department – Chief Accountant	629	0.0003	0.0003
	MEMBERS OF INTERNAL AUDIT COMMITTEE			
Olga Gončaruk (appointed 3 September 2009, office term expires in 2010)		8,124,854	3.3052	3.3052
Saulius Valdšteinas (appointed 3 September 2009, office term expires in 2010)		0	0.0000	0.0000
Ona Armalienė (appointed 3 September 2009, office term expires in 2010)		0	0.0000	0.0000

Amounts of funds in total and average amounts per members of the collegial bodies, CEO and Chief Accountant calculated by the Bank during 2009 are presented in the table below:

	Supervisory Council of the Bank	Board of the Bank	CEO	Chief Accountant
Total amounts, LTL	930,437	1,256,239	501,515	145,996
Average amounts, LTL	465,219	418,746	-	-

There were no guarantees or warranties issued in 2009 regarding the fulfilment of liabilities of collegial bodies' members, CEO or Chief Accountant.

INFORMATION ABOUT AGREEMENTS OF WHICH THE BANK IS A PART

There are no significant agreements that could come into force, change or terminate due to the change of the Bank's control except of the cases when the disclosure of agreements could cause harm to the Bank because of their nature.

The Bank does not have any information about agreements that give its management bodies' members or employees, the right for compensation in case of their resignation, unfair dismissal or termination of their employment due to the change of the Bank's control.

RELATED PARTIES TRANSACTIONS

The information on related parties transactions for the year ended 31 December 2009 is presented in Note 40 to the financial statements.

INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Information on compliance with the corporate governance code is provided in the annex to annual report (pages 112 to 135).

INFORMATION ON SUPPORTING THE PRINCIPLES OF ENVIRONMENT PROTECTION

In the June 2005 AB Ūkio Bankas joined the international initiative - United Nations Global Compact - for responsible business and is continuing its fourth year membership of UN Initiative on Socially Responsible Business, kept on aligning the bank's strategies and operation with the Global Compact and its ten principles, including environment protection.

The Bank supports all environment-related principles although banking activities have no direct impact on environment and nature, except for everyday office operations, business travelling and the like.

The Bank's internal rules provide for employee obligation to protect environment, sustain natural resources, and not to violate environment quality norms and standards. The Bank aims to reduce the potential negative environmental impact within the range of everyday activities. Office equipment is purchased from reliable suppliers and manufacturers holding all quality certificates. Night-time heat-saving systems are installed in all premises used by the Bank and other energy-saving opportunities are considered. The Bank attempts to operate only 3-4 year old vehicles with relatively lower pollution compared to older vehicles. The vehicle fleet is regularly upgraded to adhere to pollution standards.

The bank supports environment protection by providing services that enable to reduce the need of natural resources. Internet banking is one of such services enable to reduce the number of business trips to Bank, paper consumption in many banking transactions.

With the aim to protect nature and save our forests since 2007 AB Ūkio Bankas decided not to print the annual report and present it only in electronic format.

AB Ūkio Bankas also reduces consumption of paper by using the intranet for employee communication inside the bank. All documents, procedures and information for employees are placed there. Employees receive all relevant information via the intranet and thus the amount of hard-copy documents is significantly reduced.

In the April 2008 AB Ūkio Bankas, having received authorizations from the internationally recognised Professor of Anthropology Birutė Galdikas, who is of Lithuanian descent, established the International Birutė Galdikas Environmental Charity and Support Foundation in Lithuania. One of the Foundation's major aims is to support research in the field of environment protection and grant the possibility to Lithuanian students to go on traineeships to Indonesia.

INFORMATION ON FINANCIAL AND HEDGING INSTRUMENTS USED BY THE BANK

Information on financial instruments used by the Bank and the scope of risk taken by the Bank is described in Notes 32-39 to the financial statements. The Bank did not use hedging instruments for which hedge accounting is applied.

INFORMATION ON THE BANK'S INTERNAL CONTROL SYSTEM

Internal control of the Bank – a part of management system aiming to avoid mistakes, losses and various breaches in the Bank in order to manage and organize it efficiently. System of the Bank's internal control covers all activity of the Bank to implement the three main objectives:

- Efficiency of the Bank's activity using the Bank's property and other recourses, and the Bank's prevention from possible losses;
- Reliability, timeliness and relevance of financial and other information used internally as well as for regulatory purposes or provided to third persons;
- Bank's integrity with the law of the Republic of Lithuania and other law regulations, Bank's strategy.

Three types of internal control are applied at the Bank:

- Preventive – system of organizational measures to prevent various possible abuses, mistakes in the activity of the Bank;
- Detective – unexpected inspections of particular transactions, property inspection performed at the moment of transactions or instantly after their completion;
- Corrective – intended for determination of mistakes, abuses, inaccuracies, mischief cases or false data occurring in accounting or financial statements and for their elimination or correction.

Organization of these three types of control is based on *four eye principle*, i.e. all executed transactions have to be inspected by another person not related to the direct accounting or execution of the transaction.
Internal control system of the Bank is composed of five interrelated elements: control's environment, risk determination and evaluation, control procedure, information and reporting, observation and evaluation of internal control system.

INFORMATION ON SIGNIFICANT STAKES MANAGED DIRECTLY OR INDIRECTLY

As of 31 December 2009 AB Ūkio Bankas held following stakes exceeding 20%:

- 100% of UAB Ūkio Banko Lizingas shares;
- 100% of UAB Ūkio Banko Investicijų Valdymas shares;
- 100% of UAB Ūkio Banko Rizikos Kapitalo Valdymas shares;
- 100% of GD UAB Bonum Publicum shares;
- 100% of UAB Investicinio Turto Valdymas shares;
- 100% of RAB Ukio Bank Lizing (Ukraine) shares (via subsidiary UAB Ūkio Banko Lizingas);
- 100% of UAB Eastern Europe Development Fund shares (via subsidiary UAB Ūkio Banko Rizikos Kapitalo Valdymas; stake acquired with intention for resale).

MAIN ASPECTS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS OF ŪKIO BANKAS GROUP RELATED TO CONSOLIDATION OF FINANCIAL STATEMENTS

AB Ūkio Bankas internal control policy is applied at all AB Ūkio Bankas departments, divisions, branches and subsidiaries.

The accounting policy of AB Ūkio Bankas is applied consistently by all subsidiaries.

The consolidated financial statements include all subsidiaries that are controlled, directly or indirectly, by the Bank. When an entity began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operational policies of a subsidiary, or control the removal or appointment of majority of a subsidiary's board of directors. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment. The accounting policies used by the subsidiaries have been changed, if needed, to ensure consistency with the policies adopted by the Group. Minority interests in the equity and results of companies that are controlled, directly or indirectly, by the Group are shown as a separate item of the shareholders equity in the Group financial statements.

OBJECTIVE OVERVIEW OF THE BANK'S AND THE GROUP'S POSITION, ACTIVITIES AND DEVELOPMENT, DESCRIPTION OF MAIN RISKS AND UNCERTAINTIES

AB Ūkio Bankas was established in June 1989 as Commercial Industry Bank. The Bank's main office is located in Kaunas, Maironio str. 25. The Bank has a business license issued from Bank of Lithuania for conducting all financial services specified by Lithuanian Banks Law and providing other services allowed under Lithuanian Financial Institutions Law.

In 2009, the assets of the Group increased by LTL 316 million (8%) and as of 31 December 2009 amounted to LTL'000 4,296,583. As of 31 December 2009, the Bank's assets amounted to LTL'000 4,220,724 (i.e. almost the same as in the beginning of the year). AB Ūkio Bankas ranks 7th by assets among the banks in Lithuania.

As of 31 December 2009, the Bank had 12 branches and 48 client service departments in Lithuania and 2 representative offices in foreign countries (Ukraine and Kazakhstan). During the year 2009, 3 new client service departments were opened and 2 were closed. In addition, the Bank, directly and indirectly, has 6 (six) 100% subsidiaries. In 2009, the Bank acquired 100% stake in UAB Investicinio Turto Valdymas.

As of 31 December 2009, the Banking segment includes financial information of AB Ūkio Bankas, Finance lease segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ukio Bank, Other activities segment includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas, UAB Investicinio Turto Valdymas, GD UAB Bonum Publicum and discontinued operations (UAB Eastern Europe Development Fund).

For the year ended 31 December 2009 the Group's results by business segments are presented in the table below (LTL'000):

	2009				
	Banking	**Finance lease**	**Other activities**	**Elimination**	**Group**
Net result from continuing and discontinued operations	**(74,997)**	**(1,812)**	**8,046**	**(1,758)**	**(70,521)**
Attributable to:					
Equity holders of the parent	*(74,997)*	*(1,812)*	*8,046*	*(1,758)*	*(70,521)*
Minority interest	-	-	-	-	-
Assets	4,220,724	265,169	277,228	(466,538)	4,296,583
Liabilities	3,826,393	258,607	108,663	(308,251)	3,885,412

The main risks the Group and the Bank primarily face are credit, market, liquidity and operational risks. The Group seeks to keep optimal level of risk management measures while maximizing its profits so that unexpected changes in economic environment, fluctuations in market variables, unexpected incidents in the Group's internal processes and systems would not result in threatening the stable operations of the Group, partners' trust in the Group or compliance with prudential requirements.

Detailed information on main risks as well as on compliance with prudential requirements for the year ended 31 December 2009 is presented in Notes 32-39 of the financial statements.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS

The results of the AB Ūkio Bankas Group activity for the year ended 31 December 2009: net loss of LTL'000 70,521 (in 2008, net profit of LTL'000 45,706 was earned). The Bank incurred a net loss of LTL'000 74,997 for the year 2009 (in 2008, the Bank earned a net profit of LTL'000 57,383). In 2009, the Group's assets increased by LTL 316 million (8%) and made LTL 4.3 billion at the year-end. Bank's assets amounted to LTL 4.2 billion – i.e. almost the same as in the beginning of the year. The main financial indicators of the Group and the Bank (in LTL thousand unless stated otherwise) are presented in the table below:

Group's indicators				ITEMS	Bank's indicators			
2009	2008 As restated	Increase (Decrease) LTL'000	Increase (Decrease) %		2009	2008 As restated	Increase (Decrease) LTL'000	Increase (Decrease) %
145,261	228,447	(83,186)	(36)	Operating profit before provisions and operating expenses	97,067	219,145	(122,078)	(56)
117,708	149,361	(31,653)	(21)	Operating expenses	94,076	126,836	(32,760)	(26)
27,553	79,086	(51,533)	(65)	Profit (loss) before provisions and income tax	2,991	92,309	(89,318)	(97)
113,018	42,483	70,535	166	Provision expense	89,632	30,217	59,415	197
(85,465)	36,603	(122,068)	-	Pre-tax profit (loss)	(86,641)	62,092	(148,733)	-
(16,127)	5,829	(21,956)	-	Income tax expense (benefit)	(11,644)	4,709	(16,353)	-
(69,338)	30,774	(100,112)	-	Net profit (loss) from continuing operations	(74,997)	57,383	(132,380)	-
(1,183)	14,932	(16,115)	-	Net profit (loss) from discontinued operations	-	-	-	-
(70,521)	45,706	(116,227)	-	Net profit (loss) for the year	(74,997)	57,383	(132,380)	-
4,296,583	3,980,119	316,464	8	Assets	4,220,724	4,224,250	(3,526)	0
2,420,504	3,072,210	(651,706)	(21)	Loans and finance lease receivable	2,271,821	3,342,277	(1,070,456)	(32)
7.81	3.17	-	-	Provisions / Loans, %	7.21	2.54	-	-
3,354,061	3,035,516	318,545	10	Due to customers	3,362,881	3,343,863	19,018	1
411,171	489,441	(78,270)	(16)	Equity	394,331	474,503	(80,172)	(17)
245,824	196,708	49,116	25	Number of ordinary shares in issue at the end period (thousands units)	245,824	196,708	49,116	25
228,600	196,708	31,892	16	Weighted average numbers of ordinary shares in issue (thousands units)	228,600	196,708	31,892	16
(1.70)	1.10	-	-	Return on assets,%	(1.78)	1.39	-	-
(15.66)	9.13	-	-	Return on equity, %	(17.26)	12.69	-	-
1.59	0.84	-	-	Expense / Income before income tax	1.89	0.72	-	-
(0.31)	0.23	-	-	Basic earnings per share (in LTL)	(0.33)	0.29	-	-
(0.30)	0.23	-	-	Diluted earnings per share (in LTL)	(0.32)	0.29	-	-

The main indicators of activity:

- In 2009 Ūkio Bankas Group incurred a net loss of LTL'000 70,521 (in 2008, earned a net profit 45,706);
- In 2009 the Bank opened 3 new client service departments and closed 2. At 31 December 2009 the Bank's service network consisted of 60 outlets – 12 branches and 48 client service departments. In addition as of 31 December 2009 the Bank had 2 representative offices in Kiev (Ukraine) and Almaty (Kazakhstan);
- In 2009, the Bank acquired 100% of shares in UAB Investicinio Turto Valdymas;
- As of 31 December 2009 the Bank had 155 thousand customers – i.e. an increase of 7% during 2009.
- The Bank's wholly owned leasing subsidiary UAB Ūkio Banko Lizingas offers its services through about 3 thousand sales points located throughout entire Lithuania. As of 31 December 2009 UAB Ūkio Banko Lizingas had 132 thousand customers;
- In 2009 compared to previous year, Group's operating profit before impairment charge decreased by 36% and made LTL 145 million. The Group's expenses before provisions and income tax decreased by 21% and made LTL 118 million;
- Throughout 2009, the Bank and the Group complied with all the prudential requirements set by the Bank of Lithuania. As of 31 December 2009, the Group's capital adequacy ratio was 14.10% (requirement – not less than 8%), liquidity ratio – 50.86% (requirement – not less than 30%).

Credit ratings

International rating agency Standard&Poor's assigned the following ratings to AB Ūkio Bankas:

- Long-term counterparty credit rating B (assigned 28 August 2009).
- Short-term counterparty credit rating C (assigned 28 August 2009).

The outlook of ratings is negative.

Income and expenses

As compared to previous year, the operating profit before provisions and operating expenses of AB Ūkio Bankas Group decreased by LTL 83 million or 36% to LTL 145 million. Reduced net interest margin (mainly because of the increased cost of borrowing) caused net interest income to decrease by 52% to LTL 63 million. Decrease in number of banking operations performed by customers caused the reduction of net service fees and commission income by 43% to LTL 56 million. Positive trends in financial markets led to increase in net result from trading activities, which increased by LTL 37 million and comprised LTL 24 million. Other income, mainly impacted by net insurance income, decreased by 78% and amounted to LTL 3 million. Income structure of the Group and the Bank (in LTL thousand) is presented in the table below:

The Group					The Bank			
	2008 As	INCREASE (DECREASE)				2008 As	INCREASE (DECREASE)	
2009	restated	LTL'000	%	ITEM	2009	restated	LTL'000	%
62,502	130,762	(68,260)	(52)	Net interest income	28,613	95,811	(67,198)	(70)
56,027	97,662	(41,635)	(43)	Net service fees and commission income	51,257	99,617	(48,360)	(49)
23,810	(12,999)	36,809	283	Net trading (loss) income	15,516	21,242	(5,726)	(27)
2,922	13,022	(10,100)	(78)	Other income	1,681	2,475	(794)	(32)
145,261	**228,447**	**(83,186)**	**(36)**	**Operating profit before impairment charge**	**97,067**	**219,145**	**(122,078)**	**(56)**

In 2009, AB Ūkio Bankas Group applied cost optimisation measures. It led to reduction of operating expenses by LTL 32 million to LTL 118 million. 37% of these expenses consisted of staff expenses, which decreased by LTL 9 million to LTL 43 million. Changes in Lithuanian and global economics caused the impairment charge for credit losses to increase 2.7 times up to LTL 113 million, deferred tax result caused the reversal of income tax expense of LTL 16 million.

Assets, liabilities and equity

During 2009 the Group's assets increased by LTL 316 million i.e. 8%, and amounted to LTL 4.30 billion at the year-end. Largest share of Group's assets – i.e. 56% consisted of loans and finance lease receivables, which decreased by 21% from the beginning of year and amounted to LTL 2.42 billion as of 31 December 2009. Due from banks and other credit institutions increased 6.6 times and amounted to LTL 678 million, i.e. 16% of Group's assets at the year end. 10% of Group's assets consisted of cash and balances with central bank, which increased 2.3 times during 2009 and amounted to LTL 443 million at the year-end. Securities portfolio at the end of 2009 amounted to LTL 354 million, i.e. 8% of Group's assets, during the year they decreased by LTL 116 million.

The largest share of the Group's liabilities – i.e. 86% - consisted of deposits from customers, which increased by LTL 318 million or 10% during 2009 and amounted to LTL 3.35 billion at the year-end. Due to banks and other credit institutions, which comprised 7% of the Group's liabilities, increased by 10% during 2009 and amounted to LTL 286 million at the year-end. Subordinated loans, impacted by reception of new loan of LTL 50 million, showed an increase of 44% during 2009 and amounted to LTL 149 million at the year-end. The Group's equity decreased by 16% and amounted to LTL 411 million at the year-end.

INFORMATION ON ACQUIRED OR DISPOSED OWN SHARES

As of 31 December 2009 and 2008 the Bank did not have treasury shares. During the year 2009 the Bank did not acquire or dispose own shares.

SIGNIFICANT EVENTS THAT HAPPENED AFTER THE END OF FINANCIAL YEAR

In the opinion of the management, no significant events happened after the end of the financial year to the date the report is signed, that might have a significant impact on the financial statements.

INFORMATION ON THE GROUP'S ACTIVITY PLANS, DEVELOPMENT AND FORECASTS

The deteriorating economic situation has had a negative impact on the financial condition and performance of the Bank and the Group in 2009, principally in increasing provisions for impairment losses, and is expected to impact the future operations in 2010. The key priorities of the Group's activities for 2010 will be exclusive attention to assuring asset quality and improvement of operating efficiency of the Group through optimization of Group's costs and concurrently adjusting to the changing operating environment. However, irrespective of all measures to be taken the Group and the Bank do not forecast profitable activities in 2010, but expect the stabilization and improvement in the second half of the year, along with the economy of the country.

INFORMATION ON PUBLICLY PRESENTED INFORMATION

13 January 2009 Announced that as of 8th of January 2009 the Board of Bank of Lithuania in respect results of inspection on AB Ūkio Bankas, accepted the resolution that AB Ūkio Bankas has to strengthen its capital base and limit the growth of certain risky assets;

13 February 2009 Announced that at the meeting of the Board of AB Ūkio Bankas as of 12 February 2009, a resolution was taken to issue fixed rate bond issue in LTL under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 19 June 2008 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the issue. It is possible to view the Final terms and conditions, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents at the AB Ūkio Bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank and the Internet website www.ub.lt;

21 February 2009 Announced AB Ūkio Bankas preliminary unaudited net profit of year 2008 is LTL 57.4 million (EUR 16.6 million) – i. e. 30.6% less than in year 2007, when a net profit of LTL 82.7 million (EUR 24.0 million) was earned and 37.3% less than planned (LTL 91.5 million, or EUR 26.5 million). Main reasons behind not reaching planned profit are: higher than planned provisions against the impairment of loans and receivables caused by changes in Lithuanian economics; number of banking operations performed by customers was lower than planned; levels of interest earning assets were lower than planned; cost of borrowing increased more than was planned; result of trading activities was lower than planned.
AB Ūkio Bankas group preliminary unaudited net profit of year 2008 is LTL 48.0 million (EUR 13.9 million) – i. e. 37.9% less than in year 2007, when a net profit of LTL 77.4 million (EUR 22.4 million) was earned;

24 February 2009 Convocation of an ordinary general meeting of AB Ūkio Bankas shareholders announced. The Bank's Board has approved the agenda of the meeting to be held on 27 March 2009;

27 February 2009 Announced that on 26 February 2009 AB Ūkio Bankas finished the issue of Fixed rate bond issue LTL No. 1/2009 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period from 17 February 2009 till 26 February 2009 20,839 bonds with nominal value of LTL 100 and fixed 12% annual interest rate were issued. Redemption of bonds on 28 May 2009;

10 March 2009 Amendment to agenda of ordinary general meeting of shareholders was announced;

17 March 2009 Draft resolutions of the ordinary general meeting, to be held on 27 March 2009, prepared by the Board were announced;

27 March 2009 Announced that Edita Karpavičienė and Antanas Grigaliauskas resigned from the position of the member of the Board of AB Ūkio Bankas;

27 March 2009 Announced that Liutauras Varanavičius, Lars Ulf Uno Lowenhav, Leonas Rimantas Butkus resigned from the position of the member of the Supervisory Council of AB Ūkio Bankas;

27 March 2009 Announced resolutions of the Ordinary General Meeting of AB Ūkio Bankas shareholders;

27 March 2009 Announced affirmed composition of AB Ūkio Bankas Board as follows: Gintaras Ugianskis (Chairman of the Board), Rolandas Balandis (Deputy Chairman of the Board) and Arnas Žalys (Deputy Chairman of the Board);

27 March 2009 Announced composition of AB Ūkio Bankas Supervisory council: Edita Karpavičienė (Chairwoman of the Supervisory council), Ala Kurauskienė (Deputy Chairwoman of the Supervisory council), Olga Gončaruk (Member of the Supervisory council), Gražina Jakavičienė (Member of the Supervisory council), Viktor Soldatenko (Member of the Supervisory council);

31 March 2009 Announced that international rating agency Standard&Poor's Ratings Services as at 31 March 2009 changed ratings assigned to AB Ūkio Bankas: long-term counterparty credit rating B+, short-term counterparty credit rating B, the outlook of ratings is negative;

16 April 2009 Announced that international rating agency Moody's Investors Service as at 16 April 2009 changed ratings assigned to AB Ūkio Bankas: long-term deposit rating B2 (the outlook of rating is negative), financial strength rating E+ (the outlook of rating is stable). Short-term rating remains unchanged NP;

5 May 2009 Announced AB Ūkio Bankas group consolidated unaudited net profit of the three months of year 2009 is LTL 5.5 million (EUR 1.6 million). AB Ūkio Bankas unconsolidated unaudited net profit of the three months of year 2009 is LTL 4.0 million (EUR 1.2 million);

8 May 2009 Announced that on 8 May 2009 AB Ūkio Bankas Statute with increased authorized capital has been registered with the Register of legal entities. After increase the Bank's authorized capital amounts to LTL 245,824,000 (EUR 71.20 million). One share has a nominal value of LTL 1 (EUR 0.29);

14 May 2009	Announced that on 14th May 2009 Central Securities Depository of Lithuania effected amendments in the AB Ūkio Bankas securities issue registration account in accordance with the adding of the new LTL 49,116,000 share issue to the share issue of the LTL 196,708,000 valid until now. After the assimilation of issues the authorized capital of AB Ūkio Bankas amounts LTL 245,824,000;
28 May 2009	Announced that AB Ūkio Bankas according to the provisions specified in Base Prospectus of Short and Medium Term Bonds Offering Programme and Final Terms and Conditions approved by the Board of the Bank as of 12 February 2009 redeemed whole Fixed rate bond issue No. 1/2009, ISIN code – LT0000330540;
4 August 2009	Announced AB Ūkio Bankas group consolidated unaudited net profit of the six months of year 2009 is LTL 6.2 million (EUR 1.8 million). AB Ūkio Bankas unconsolidated unaudited net profit of the six months of year 2009 is LTL 4.6 million (EUR 1.3 million);
28 August 2009	Announced that international rating agency Standard&Poor's Ratings Services as at 28 August 2009 changed ratings assigned to AB Ūkio Bankas: long-term counterparty credit rating B, short-term counterparty credit rating C, the outlook of ratings is negative;
3 September 2009	Announced that AB Ūkio Bankas has taken decision to suspend cooperation with international rating agency "Moody's Investors Service" due to the cost efficiency policy;
17 September 2009	Announced that AB Ūkio Bankas acquired 100% of Joint Stock Company "Investicinio turto valdymas" shares. The main activity of JSC "Investicinio turto valdymas" is asset management and administration;
21 September 2009	Announced that AB Ūkio Bankas transferred 2,000,000 units of AB Kauno tiekimas ordinary registered shares, representing 19.64% of the company's authorized capital;
4 November 2009	Announced AB Ūkio Bankas group consolidated unaudited net profit of the nine months of year 2009 is LTL 6.4 million (EUR 1.8 million). AB Ūkio Bankas unconsolidated unaudited net profit of the nine months of year 2009 is LTL 4.7 million (EUR 1.4 million);
16 November 2009	Announced that AB Ūkio Bankas according to the provisions specified in Base Prospectus of Short and Medium Term Bonds Offering Programme and Final Terms and Conditions approved by the Board of the Bank as of October 9, 2008, redeemed "Fixed rate bond issue LTL No. 4/2008" (ISIN code – LT0000401739) and "Fixed rate bond issue EUR No. 5/2008" (ISIN code – LT1000401133) as of November 16, 2009;
15 December 2009	Announced that on 14 December 2009 an agreement was signed regarding the extension of subordinated loan to AB Ūkio Bankas: • Amount of the loan – LTL 50 million; • Maturity of the loan – 7 years;
24 December 2009	Announced that on 24 December 2009 the Board of the Bank of Lithuania permitted AB Ūkio Bankas to include into Tier 2 capital a seven year subordinated loan provided to the bank by Vladimir Romanov;
30 December 2009	Announced that AB Ūkio Bankas expects to incur losses in 2009. Main reason behind not achieving the planned profitable activities of the bank is that worse than projected economic state of the country led to higher than projected impairment losses of loans and receivables.

All notifications provided and should be made public are announced in the Lietuvos Rytas daily in compliance with the terms set forth in the Republic of Lithuania laws and acts of law of the supervising institution and material events are delivered to the news agencies BNS and ELTA, the Lithuanian Securities Commission, and NASDAQ OMX Vilnius Stock Exchange. Bank's notifications are also available on AB Ūkio Bankas website www.ub.lt.

Gintaras Ugianskis
Chairman of the Board

Kaunas, Lithuania

17 February 2010

AB ŪKIO BANKAS

STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008	The Bank 12.31.2009	The Bank 12.31.2008 as restated (Note 5)	The Bank 01.01.2008
ASSETS							
Cash and balances with central bank	6	442,736	188,875	202,382	442,719	188,874	202,381
Loans and advances to banks and other credit institutions	7	677,968	102,018	715,289	670,326	99,100	711,791
Financial assets at fair value through profit or loss	8	42,989	45,250	233,227	11,102	26,511	213,546
Loans and finance lease receivable	9	2,420,504	3,072,210	2,250,200	2,271,821	3,342,277	2,331,031
Investment securities:							
available-for-sale	10	*43,339*	*50,676*	*33,777*	*42,935*	*50,482*	*31,281*
held-to-maturity	10	*268,496*	*375,208*	*394,845*	*460,233*	*372,011*	*393,694*
Investments in subsidiaries	11,12	-	-	-	157,636	39,821	42,821
Intangible assets	13	22,095	22,671	26,217	2,220	2,778	2,347
Property, plant and equipment	14	34,311	30,928	353,784	25,197	27,934	23,424
Investment property	14	142,840	26,026	23,638	16,052	16,052	13,730
Deferred tax assets	29	13,337	910	-	13,337	910	-
Other assets	15	131,005	65,347	89,142	107,146	57,500	53,039
Assets classified as held for sale		56,963	-	-	-	-	-
Total assets		**4,296,583**	**3,980,119**	**4,322,501**	**4,220,724**	**4,224,250**	**4,019,085**
LIABILITIES AND EQUITY							
LIABILITIES							
Due to banks and other credit institutions	16	285,864	261,017	409,544	276,864	245,818	379,253
Financial liabilities at fair value through profit or loss		6	1,161	3,760	6	1,223	3,757
Due to customers	17	3,354,061	3,035,516	3,154,314	3,362,881	3,343,863	3,052,819
Debt securities in issue	18	17,860	24,784	-	17,860	27,021	-
Subordinated loans	19	148,836	103,220	101,784	148,836	103,220	101,784
Deferred tax liabilities	29	14,984	1,186	39,937	-	-	3,081
Other liabilities	20	61,184	63,794	101,196	19,946	28,602	48,353
Liabilities directly associated with assets classified as held for sale		2,617	-	-	-	-	-
Total liabilities		**3,885,412**	**3,490,678**	**3,810,535**	**3,826,393**	**3,749,747**	**3,589,047**
EQUITY							
Share capital	21	245,824	196,708	196,708	245,824	196,708	196,708
Share premium		76,500	76,500	76,500	76,500	76,500	76,500
Revaluation reserve - available-for-sale investment securities		(5,193)	(110)	10,178	(5,175)	-	8,984
General reserve for losses of assets		-	49,116	21,543	-	49,116	21,543
Fixed assets revaluation reserve		-	-	79,874	-	-	-
Currency translation reserve		(313)	2,358	7,546	-	-	-
Legal reserve		16,046	11,245	5,300	15,532	10,971	4,900
Other reserves		136,647	50,000	2,000	136,647	50,000	2,000
Retained earnings		(58,340)	103,624	111,292	(74,997)	91,208	119,403
Equity attributable to equity holders of the parent		**411,171**	**489,441**	**510,941**	**394,331**	**474,503**	**430,038**
Minority interest		-	-	1,025	-	-	-
Total equity		**411,171**	**489,441**	**511,966**	**394,331**	**474,503**	**430,038**
Total liabilities and equity		**4,296,583**	**3,980,119**	**4,322,501**	**4,220,724**	**4,224,250**	**4,019,085**

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

AB ŪKIO BANKAS

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2009	The Group 2008 as restated (Note 5)	The Bank 2009	The Bank 2008 as restated (Note 5)
CONTINUING OPERATIONS					
Interest income	22	275,795	283,096	248,770	249,760
Interest expense	22	(213,293)	(152,334)	(220,157)	(153,949)
Interest income, net		**62,502**	**130,762**	**28,613**	**95,811**
Fees and commission income	23	68,922	115,148	63,396	115,991
Fees and commission expense	23	(12,895)	(17,486)	(12,139)	(16,374)
Fees and commission income, net		**56,027**	**97,662**	**51,257**	**99,617**
Net gains from dealing in foreign currencies	24	3,176	35,937	1,610	36,281
Net gains (losses) from financial assets at fair value through profit or loss	24	20,039	(46,248)	13,290	(39,302)
Net gains (losses) arising from investment securities	24	595	(2,688)	616	24,263
Impairment charge for credit losses	33	(114,146)	(43,073)	(89,697)	(30,807)
Recoveries of loans written off		1,128	590	65	590
Insurance income, net		(85)	10,334	-	-
Dividend income		7	178	7	177
Other operating income	25	3,000	2,510	1,674	2,298
Operating profit before operating expenses		**32,243**	**185,964**	**7,435**	**188,928**
Operating expenses	26	(117,708)	(149,361)	(94,076)	(126,836)
Profit (loss) before income tax		**(85,465)**	**36,603**	**(86,641)**	**62,092**
Income tax benefit (expense)	28	16,127	(5,829)	11,644	(4,709)
Net profit (loss) for the year from continuing operations		**(69,338)**	**30,774**	**(74,997)**	**57,383**
Profit (loss) for the year from discontinued operations	12	**(1,183)**	**14,932**	**-**	**-**
NET PROFIT (LOSS) FOR THE YEAR		**(70,521)**	**45,706**	**(74,997)**	**57,383**
Attributable to:					
Equity holders of the parent		(70,521)	45,706	(74,997)	57,383
Minority interest		-	-	-	-
NET PROFIT (LOSS) FOR THE YEAR		**(70,521)**	**45,706**	**(74,997)**	**57,383**
EARNINGS PER SHARE					
From continuing and discontinued operations:	30				
Basic (in LTL)		(0.31)	0.23	(0.33)	0.29
Diluted (in LTL)		(0.30)	0.23	(0.32)	0.29
From continuing operations:	30				
Basic (in LTL)		(0.30)	0.16	(0.33)	0.29
Diluted (in LTL)		(0.30)	0.16	(0.32)	0.29

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Uglanskis
Chairman of the Board

V. Petraitienė
Chief Accountant

AB ŪKIO BANKAS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	The Group 2009	The Group 2008	The Bank 2009	The Bank 2008
Profit (loss) for the year	**(70,521)**	**45,706**	**(74,997)**	**57,383**
Other comprehensive income				
Exchange differences on translating foreign operations				
Exchange differences arising during the year on translating foreign operations, net of tax	(2,671)	2,242	-	-
Reclassification adjustments relating to foreign operations disposed of in the year, net of tax	-	310	-	-
	(2,671)	**2,552**	**-**	**-**
Available-for-sale financial assets				
Net gain (loss) arising on revaluation of available-for-sale financial assets during the year, net of tax	(5,083)	(10,288)	(5,175)	(8,984)
	(5,083)	**(10,288)**	**(5,175)**	**(8,984)**
Revaluation of properties				
Reclassification adjustments relating to revaluation of properties disposed of in the year, net of tax	-	(48,263)	-	-
	-	**(48,263)**	**-**	**-**
Income from sale of subsidiaries included directly in retained earnings	-	(8,298)	-	-
Other reclassification adjustments	5	-	-	-
Total comprehensive income for the year	**(78,270)**	**(18,591)**	**(80,172)**	**48,399**
Attributable to:				
Equity holders of the parent	(78,270)	(18,591)	(80,172)	48,399
Minority interest	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(78,270)**	**(18,591)**	**(80,172)**	**48,399**

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

The Bank	**Share Capital**	**Share premium**	**Other reserves**	**Revaluation reserve on available-for-sales investment securities**	**General reserve for losses of assets**	**Legal reserve**	**Retained earnings**	**Total**
As of 1 January 2008	**196,708**	**76,500**	**2,000**	**8,984**	**21,543**	**4,900**	**119,403**	**430,038**
Dividends paid	-	-	-	-	-	-	(3,934)	(3,934)
Transfer to legal reserve	-	-	-	-	-	6,071	(6,071)	-
Transfer to general reserve for losses of assets	-	-	-	-	27,573	-	(27,573)	-
Transfer to other reserves	-	-	50,000	-	-	-	(50,000)	-
Transfer to retained earnings	-		(2,000)	-	-	-	2,000	-
Other comprehensive income	-	-	-	(8,984)	-	-	-	(8,984)
Net profit	-	-	-	-	-	-	57,383	57,383
As of 31 December 2008	**196,708**	**76,500**	**50,000**	**-**	**49,116**	**10,971**	**91,208**	**474,503**
Transfer to legal reserve	-	-	-	-	-	4,561	(4,561)	-
Increase of share capital (Note 21)	49,116	-	-	-	(49,116)	-	-	-
Transfer to other reserves	-	-	86,647	-	-	-	(86,647)	-
Other comprehensive income	-	-	-	(5,175)	-	-	-	(5,175)
Net loss	-	-	-	-	-	-	(74,997)	(74,997)
As of 31 December 2009	**245,824**	**76,500**	**136,647**	**(5,175)**	**-**	**15,532**	**(74,997)**	**394,331**

(Continued)

AB ŪKIO BANKAS

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

The Group	Share Capital	Share premium	Other reserves	Revaluation reserve on available-for-sale investment securities	General reserve for losses of assets	Fixed assets revaluation reserve	Foreign currency translation reserve	Legal reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	Total
As of 1 January 2008	**196,708**	**76,500**	**2,000**	**10,178**	**21,543**	**79,874**	**7,546**	**5,300**	**111,292**	**510,941**	**1,025**	**511,966**
Dividends paid	-	-	-	-	-	-	-	-	(3,934)	(3,934)	-	(3,934)
Transfer to legal reserve	-	-	-	-	-	-	-	6,245	(6,245)	-	-	-
Transfer to reserve for losses of assets	-	-	-	-	27,573	-	-	-	(27,573)	-	-	-
Transfer to other reserves	-	-	50,000	-	-	-	-	-	(50,000)	-	-	-
Transfer to retained earnings	-	-	(2,000)	-	-	-	-	-	2,000	-	-	-
Other comprehensive income	-	-	-	(10,288)	-	(79,874)	(5,188)	(300)	32,378	(63,272)	(1,025)	(64,297)
Net profit	-	-	-	-	-	-	-	-	45,706	45,706	-	45,706
As of 31 December 2008 (as restated (Note 5))	**196,708**	**76,500**	**50,000**	**(110)**	**49,116**	**-**	**2,358**	**11,245**	**103,624**	**489,441**	**-**	**489,441**
Transfer to other reserves	-	-	86,647	-	-	-	-	-	(86,647)	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	4,801	(4,801)	-	-	-
Increase of share capital (Note 21)	49,116	-	-	-	(49,116)	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	(5,083)	-	-	(2,671)	-	5	(7,749)	-	(7,749)
Net loss	-	-	-	-	-	-	-	-	(70,521)	(70,521)	-	(70,521)
As of 31 December 2009	**245,824**	**76,500**	**136,647**	**(5,193)**	**-**	**-**	**(313)**	**16,046**	**(58,340)**	**411,171**	**-**	**411,171**

(Concluded)

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2009	The Group 2008 as restated (Note 5)	The Bank 2009	The Bank 2008 as restated (Note 5)
Cash flows from (to) operating activities					
Net profit (loss) for the year		(70,521)	45,706	(74,997)	57,383
Adjustments to net profit:					
Income tax (benefit) expense recognized in profit or loss		(16,127)	5,829	(11,644)	4,709
Gain on disposal of subsidiaries		-	(14,932)	-	(27,000)
Excess of the fair value of net assets acquired in subsidiary over the cost of acquisition		(404)	-	-	-
Decrease in fair value of investment property		186	-	-	-
Impairment charge for credit losses		114,146	43,073	89,697	30,807
Interest income		(275,795)	(283,096)	(248,770)	(249,760)
Interest expense		213,293	152,334	220,157	153,949
Dividends income		(7)	(178)	(7)	(177)
Depreciation and amortization		8,318	7,299	6,363	6,530
(Profit) loss from sales of property, plant and equipment		797	38	(307)	57
Cash from (to) operating profits before changes in operating assets and liabilities		**(26,114)**	**(43,927)**	**(19,508)**	**(23,502)**
Changes in operating assets and liabilities					
Net change in balances with Central Bank		3,578	29,371	3,578	29,371
Net change in loans to banks and other credit institutions		(5,237)	75,130	(1,369)	74,893
Net change in financial assets at fair value through profit or loss		2,261	186,399	15,409	185,457
Net change in loans and finance lease		444,684	(598,723)	864,900	(1,033,021)
Net change in other assets		(57,286)	(440)	11,161	(5,111)
Net change in due to banks and other credit institutions		24,509	(149,893)	30,708	(134,627)
Net change in financial liabilities at fair value through profit or loss		(1,155)	(2,599)	(1,217)	(2,534)
Net change in due to customers		276,843	(40,934)	(22,820)	257,855
Net change in other liabilities		(6,006)	(141,028)	(10,212)	(8,830)
Cash generated from (used in) operations		**656,077**	**(686,644)**	**870,630**	**(660,049)**
Interest received		199,965	267,460	178,528	238,610
Interest paid		(168,789)	(114,591)	(175,517)	(116,222)
Income tax paid		(2,820)	(20,167)	(2,000)	(19,025)
Net cash generated from / (used in) operating activities		**684,433**	**(553,942)**	**871,641**	**(556,686)**

(Continued)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2009	The Group 2008 as restated (Note 5)	The Bank 2009	The Bank 2008 as restated (Note 5)
Cash flows from (to) investing activities					
Dividends received		7	178	7	177
Proceeds on sale of subsidiaries		-	29,875	-	30,000
Net change in investment securities		116,633	(9,307)	(78,246)	(8,135)
Acquisition of property, plant and equipment and investment property		(12,443)	(13,336)	(3,708)	(12,587)
Sales of property plant and equipment		1,266	646	1,674	620
Acquisition of intangible assets		(884)	(2,018)	(769)	(1,883)
Sale of intangible assets		42	-	42	-
Net cash generated from / (used in) investing activities		**104,621**	**6,038**	**(81,000)**	**8,192**
Cash flows from (to) financing activities					
Dividends paid		-	(3,897)	-	(3,897)
Debt securities issued		5,510	79,657	5,510	81,894
Debt securities redeemed		(12,895)	(54,873)	(15,132)	(54,873)
Subordinated loans received		50,000	-	50,000	-
Subordinated loans repaid		(3,744)	-	(3,744)	-
Net cash generated from financing activities		**38,871**	**20,887**	**36,634**	**23,124**
Net (decrease) increase in cash and cash equivalents		**827,925**	**(527,017)**	**827,275**	**(525,370)**
Effect of exchange rate changes on cash and cash equivalents		**-**	**748**	**-**	**-**
Cash and cash equivalents at the beginning of the year	**31**	**161,081**	**687,350**	**160,692**	**686,062**
Cash and cash equivalents at the end of the year	**31**	**989,006**	**161,081**	**987,967**	**160,692**

(Concluded)

The accompanying explanatory notes are an integral part of these financial statements.

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

NOTE 1 GENERAL INFORMATION

AB Ūkio Bankas ("the Bank") was established in June 1989 as Commercial Industry Bank. The Bank's main office is located in Kaunas, Maironio str. 25.

The Bank has a business license issued from Bank of Lithuania for conducting all financial services specified by Lithuanian Banks Law and providing other services allowed under Lithuanian Financial Institutions Law.

The Bank has 12 branches and 48 client service departments in Lithuania and 2 representative offices in foreign countries (Ukraine and Kazakhstan). In addition, the Bank controls, directly or indirectly, 6 subsidiaries: UAB Ūkio Banko Lizingas, set up in 1997; Ūkio Banko Investicijų Valdymas, set up in 2006; GD UAB Bonum Publicum, acquired in 2007; Ūkio Banko Rizikos Kapitalo Valdymas, set up in 2007 and Investicinio Turto Valdymas, acquired in 2009. UAB Ūkio Banko Lizingas has set up RAB Ūkio Bank Lizing (Ukraine) in 2006.

On 9 November 2009, Bank's subsidiary UAB Ūkio Banko Rizikos Kapitalo Valdymas acquired shares of UAB Eastern Europe Development Fund and became the sole shareholder of the company. The shares were acquired with an intention for resale. UAB Eastern Europe Development Fund was accounted for as Assets classified as held for sale in the consolidated financial statements of the Group.

As of 31 December 2009 the Group and the Bank employed 806 and 700 employees respectively (as of 31 December 2008: 841 and 723).

AB Ūkio Bankas ordinary registered shares have been traded on the Vilnius Stock Exchange since June 1998. The trade in AB Ūkio Bankas shares on the Official List was started on 13 July 2006. AB Ūkio Bankas is the first financial sector company having its shares quoted on the Official List of the Stock Exchange.

The Bank's shareholders owning more than 5% of the share capital are as follows:

	2009	2008
Vladimir Romanov	32.95%	32.95%
UAB Universal Business Investment Group Management	9.99%	9.99%
Zinaida Romanova	8.73%	8.73%
UAB First Partneriai	6.84%	5.88%

NOTE 2 ADOPTION OF THE NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- **IFRS 8 "Operating Segments"** adopted by the EU on 21 November 2007 (effective for annual periods beginning on or after 1 January 2009),

- **Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements"** – Cost of investment in a subsidiary, jointly-controlled entity or associate, adopted by the EU on 23 January 2009 (effective for annual periods beginning on or after 1 January 2009),

- **Amendments to IFRS 4 "Insurance contracts" and IFRS 7 "Financial Instruments: Disclosures"** - Improving disclosures about financial instruments, adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 January 2009),

- **Amendments to various standards and interpretations** resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 January 2009 (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

- **Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements"** – Puttable financial instruments and obligations arising on liquidation, adopted by the EU on 21 January 2009 (effective for annual periods beginning on or after 1 January 2009),

- **Amendments to IAS 39 „Financial Instruments: Recognition and Measurement" and IFRS 7 „Financial Instruments: Disclosures"** - Reclassification of financial assets, effective date and transition, adopted by the EU on 9 September 2009 (effective on or after 1 July 2008),

- **IAS 1 (revised) "Presentation of Financial Statements"** – A revised presentation, adopted by the EU on 17 December 2008 (effective for annual periods beginning on or after 1 January 2009),

- **IAS 23 (revised) "Borrowing Costs"** adopted by the EU on 10 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- **Amendments to IFRS 2 "Share-based Payment"** – Vesting conditions and cancellations, adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- **Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement"** -Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for annual periods beginning on or after 1 January 2009),
- **IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"** adopted by the EU on 1 June 2007 (effective for annual periods beginning on or after 1 March 2008),
- **IFRIC 13 "Customer Loyalty Programmes"** adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- **IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"** adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009).

The adoption of these amendments to the existing standards has not led to any changes in the Group's and Bank's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- **IFRS 1 (revised) "First-time Adoption of IFRS"** adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- **IFRS 3 (revised) "Business Combinations"** adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- **Amendments to IAS 27 "Consolidated and Separate Financial Statements"** adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- **Amendments to IAS 32 "Financial Instruments: Presentation"** – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 January 2011),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),
- **IFRIC 12 "Service Concession Arrangements"** adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- **IFRIC 15 "Agreements for the Construction of Real Estate"** adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"** adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- **IFRIC 17 "Distributions of Non-Cash Assets to Owners"** adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- **IFRIC 18 "Transfers of Assets from Customers"** adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The Group and the Bank has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group and the Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group and the Bank in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 17 February 2010:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2013),

- **Amendments to various standards and interpretations** resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010),

- **Amendments to IAS 24 "Related Party Disclosures"** - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011),

- **Amendments to IFRS 1 "First-time Adoption of IFRS"**- Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),

- **Amendments to IFRS 2 "Share-based Payment" -** Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),

- **Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" -** Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011),

- **IFRIC 19 "Extinguishing Liabilities with Equity Instruments"** (effective for annual periods beginning on or after 1 July 2010).

The Group and the Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group and the Bank in the period of initial application.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards ("IFRSs") as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB) and currently effective for the purpose of these financial statements, except for certain hedge accounting requirements under IAS 39, which have not been adopted by the EU. The Group/Bank has determined that the unendorsed hedge accounting requirements under IAS 39 would not impact the Bank's and the Group's financial statements had they been endorsed by the EU at the balance sheet date.

3.2 Basis of preparation

The financial statements have been prepared under the historical cost convention except for remeasurement of construction in progress, investment property and certain financial assets and liabilities to fair value.

The accompanying financial statements are presented in the national currency of Lithuania, the Litas ("LTL").

The accounting policies have been consistently applied by all Group entities.

The principal accounting policies adopted are set out below:

3.3 Principles of consolidation

As of 31 December 2009 the Group financial statements include the accounts of the Bank and the following subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100%
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100%
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Property management	Kaunas, Lithuania	100%
GD UAB Bonum Publicum	Life insurance	Vilnius, Lithuania	100%
RAB Ūkio Bank Lizing *	Finance lease	Kiev, Ukraine	100%
UAB Investicinio Turto Valdymas	Property management	Vilnius, Lithuania	100%

* UAB Ūkio Banko Lizingas owns 100% of shares of RAB Ūkio Bank Lizing.

As of 31 December 2008 the Group financial statements include the accounts of the Bank and the following subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100%
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100%
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Financial intermediation	Kaunas, Lithuania	100%
GD UAB Bonum Publicum	Life insurance	Vilnius, Lithuania	100%
RAB Ūkio Bank Lizing *	Finance lease	Kiev, Ukraine	100%

* UAB Ūkio Banko Lizingas owns 100% of shares of RAB Ūkio Bank Lizing.

The consolidated financial statements include all subsidiaries that are controlled, directly or indirectly, by the parent company. When an entity began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. Control is presumed to exist where more than one half of a subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operational policies of a subsidiary, or control the removal or appointment of majority of a subsidiary's board of directors.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

The accounting policies used by the subsidiaries have been changed, if needed, to ensure consistency with the policies adopted by the Group.

Minority interests in the equity and results of companies that are controlled, directly or indirectly, by the Group are shown as a separate item of the shareholders equity in the Group financial statements.

3.4 Foreign currency transactions

Transactions denominated in foreign currencies are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities, including not matured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the exchange rate effective at the balance sheet date.

The applicable foreign currency exchange rates used for the principal currencies at the year-end were as follows:

	2009	**2008**
USD	2.4052	2.4507
EUR	3.4528	3.4528
100 RUB	7.9465	8.3337
10 UAH	2.9842	3.2161

Differences resulting from translation of balances denominated in foreign currencies are recognized in the income statement as unrealized gain (loss) from foreign currency exchange operations in the period when such translation was carried out.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing foreign currency exchange rate at the date of that balance sheet;
- income and expenses for each income statement are translated at annual average foreign currency exchange rates;
- all resulting foreign currency exchange differences are recognized in Other comprehensive income as Foreign Currency Translation Reserve.

On consolidation, foreign currency exchange differences arising from the translation of the net investment in foreign entities, are taken to other comprehensive income and accumulated in equity. When a foreign operation is disposed of, or partially disposed of, such foreign currency exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing foreign currency exchange rate.

3.5 Recognition of income and expenses

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

Commissions, fees and other revenues are recognized as income when earned.

Commissions, fees and other expenses are recognized as expenses when incurred.

Dividend income is recognised when the shareholder’s right to receive payment is established. Dividend liability is recognised on the date approved by the annual shareholders’ meeting.

3.6 Financial assets

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity, a contractual right to exchange financial instruments with another entity under conditions that are potentially favorable, an equity instrument of another entity or a derivative or non-derivative contract that will or may be settled in the Bank’s and the Group’s own equity instruments.

Loans and placements with banks and other financial institutions are stated at amortized cost, net of allowance for possible loan, advance or placements losses, respectively. Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Interest is accrued and credited to income based on the principal amount outstanding using the effective interest rate method. All loans are recognized when cash is advanced to borrowers.

The Group/Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group/Bank about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;
(iv) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

The Group/Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group/Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on loans and finance lease receivable carried at amortized cost has been incurred, the amount of the potential loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group/Bank to reduce any differences between loss estimates and actual loss experience.

Securities are classified into the following groups:

- Financial assets at fair value through profit or loss;
- Investment securities available-for-sale;
- Investment securities held-to-maturity.

All securities are accounted for at settlement date.

Financial assets at fair value thought profit or loss
Financial assets at fair value through profit or loss are classified as (a) financial assets held for trading and (b) financial assets, which, upon initial recognition, are designated at fair value through profit or loss.

Financial assets held for trading are short-term investments in debt securities, fund's units and shares that are acquired in order to earn profit from fluctuation of securities prices or from dealer's operations margins. They are intended to be kept for a short period of time only.

Financial assets at fair value through profit or loss are initially recorded at their fair value. Subsequent changes in their fair values are recognised in the income statement and recorded as profit (loss) generated by trade of securities. Interest earned on such securities is reflected as interest income.

The fair values of those securities not traded are estimated by the management of the Group/Bank as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of the securities.

Those financial assets at fair value through profit or loss that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above are measured at cost, less allowance for permanent diminution in value, when appropriate.

Investment securities available-for-sale
Investment securities available-for-sale are securities held by the Group/Bank for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change.

Investment securities available for sale are initially recorded at their fair value including transaction costs directly attributable to the acquisition. Changes in the fair values of available-for-sale securities are recognized in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income and accumulated in equity is charged to income statement. However, interest calculated using the effective interest rate method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Group's /Bank's right to receive payment is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

Investment securities held to maturity
Investment securities held to maturity are those securities that the Group/Bank has the intent and the ability to hold at its disposition until their maturity. Securities held to maturity are initially measured at their fair values plus any directly attributable transaction costs. Securities held to maturity are subsequently measured at amortised cost using the effective interest rate method, less any accumulated impairment losses. A decrease in their market value is not taken into account unless it is considered as a long-term decline.

A financial asset (as defined in IAS 39) is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of the expected future cash flows discounted at the financial instrument's original effective interest rate. When an impairment of assets is identified, the Group/Bank recognizes provisions through the income statement account line "Operating expenses".

Securities sold under repurchase agreements ("repos") are recognized in the financial statements as trading or investment securities, and the resulting liabilities are included in amounts due to banks and other financial institutions, deposits due to customers or other liabilities, as appropriate. Securities purchased under reverse repurchase agreements are included into loans and finance lease receivable to banks and other financial institutions or customers (as appropriate). The difference between sale and repurchase price is recognized as interest income and is accrued over the life of repurchase agreements using the effective interest rate for the period in question.

Foreign currency exchange differences on non monetary available-for-sale investments are recognized in other comprehensive income, differences on monetary items are recognized directly in the income statement.

3.7 Investments in subsidiaries

Investments in subsidiaries in the Bank's stand alone financial statements are shown at cost less impairment. An assessment of whether any indication of impairment exists is performed at least annually.

3.8 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, and a completed sale must be expected within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

3.9 Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee. All other leases are classified as operating leases.

<u>Group/Bank as lessee:</u>
Assets held under finance lease are recognized as assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Interest expense, i.e. the difference between the total lease payment and the fair value of the acquired assets, is charged to expenses in the income statement over the entire life of the lease by applying a constant interest rate.

Rentals payable under the operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Assets held under finance lease are depreciated over the lower of the lease term and the useful life of the asset.

<u>Group/Bank as lessor:</u>
When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable.

The difference between the gross receivable and the present value of the receivable is recognized as unearned financial income.

Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

3.10 Cash and cash equivalents

Cash and cash equivalents consist of cash, precious metals and other valuables, funds with Bank of Lithuania (except the compulsory reserves), funds in bank correspondent accounts and overnight deposits in other banks.

3.11 Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity is recognized as an asset and initially measured at cost, being the excess of the acquisition cost over the Group's/Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is presented in the intangible fixed assets line in the statement of financial position. Goodwill is not amortized and is tested for impairment at least on an annual basis.

Goodwill is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is defined as the estimated future economic benefits arising from the acquisition of the equity investment, to which the goodwill is related. When an impairment of the goodwill is identified, the Group/Bank recognizes the impairment through the income statement line "Operating expenses".

3.12 Property, plant and equipment and intangible fixed assets (except for goodwill)

Intangible assets are measured initially at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the straight-line method over the estimated useful lives of the intangible assets as follows:

Software	3 years

Property, plant and equipment, excluding construction in progress, are stated at historical cost, less accumulated depreciation and impairment loss, if any. Property, plant and equipment are assets that are controlled by the Group/Bank, which expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined and is higher than LTL 1,000. Liquidation value is 1 Lt.

Property, plant and equipment depreciation is computed on a straight-line basis over the following average estimated useful lives:

Buildings and other real estate	60 years
Vehicles	4 - 10 years
Office equipment	2 - 30 years

Construction in progress is stated at fair value. Revaluation of construction in progress is made with a sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date.

On each balance sheet date, the Group/Bank reviews fixed assets useful life, residual value and depreciation methods and recognizes differences, if any, prospectively.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group/Bank. Major renovations are depreciated over the remaining useful life of the related asset.

3.13 Investment property

Investment property is property, which is held to earn rent and for capital appreciation. Investment property is initially measured at cost. After initial recognition, the Group/Bank measures all of its investment property at its fair value. The fair value of the investment property is determined annually by certified independent asset appraisers.

Gains or losses arising from a change in the fair value of investment property are recognized as income or expense in the income statement line "Other operating income".

3.14 Impairment of non financial assets

At each balance sheet date, the Group/Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group/Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 Foreclosed asset for bad debts and assets held for sale

The assets acquired as a result of foreclosures and unused assets held for disposal are stated at lower of cost/carrying value and fair value. The reduction of the value - from the carrying amount to the established fair value - during the foreclosure of assets is recorded in the income statement. Subsequent impairment losses, if any, are recognized in the income statement. Gains or losses recognized on the sale of such assets are recorded in the income statement. Determinations of fair value are based on periodic appraisals, which may be subject to significant fluctuations as economic conditions change.

3.16 Income tax

The Bank and the Group calculates the corporate income tax in accordance with Lithuanian tax regulations, except for foreign subsidiaries, for which corporate income tax is calculated in accordance with local tax legislation. In the year 2009 the Lithuanian income tax rate was 20%, in the year 2008 the tax rate was 15%. From 2010 the income tax rate is 15%. The 2009 corporate income tax rate for the subsidiary in Ukraine is 25% (2008: 25%).

Deferred income tax is accounted for using the balance sheet method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases and for tax loss carry forwards. Deferred tax assets and liabilities are measured using tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Tax losses can be carried forward for a non limited period with the exception of the losses incurred because of the sale of securities and derivatives that can be carried forward for five years and only be off-set against similar profits.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences except to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred income tax for the period
Current and deferred income tax is charged or credited to profit or loss, except when they relate to items recognized outside the profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred income tax is also recognized outside profit or loss.

3.17 Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity, a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable, or a derivative or non-derivative contract that will or may be settled in the Bank's and the Group's own equity instruments.

A financial liability measured at fair value through profit or loss is an instrument that is either held for trading purposes or is designated at fair value upon initial recognition. Derivatives are categorized as held for trading unless they are designated and effective hedges, or derivative financial guarantee contracts. Other financial liabilities are initially recognised on the trade date at their fair value and subsequently measured at amortised cost. Amortised cost is calculated by discounting the remaining future payments by the effective interest rate. Interest expense includes interest payments, on accrual basis of accounting, and relevant amortisation cost.

Fair values of those liabilities, are estimated by the management of the Bank and the Group as the best estimation of the cash flow projection reflecting the set of economic conditions that will exist over the remaining useful life of those liabilities.

Issued debt securities
Issued debt securities are classified as financial liabilities, which are repurchased as one amount or in installments under a certain repayment schedule. Issued debt securities are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. They are measured at amortized cost using the effective interest rate method. If the Group/Bank purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in net trading income.

3.18 Insurance premium revenue and premium ceded to reinsurers

Insurance premium revenue consists of premium revenue under policies in force underwritten by the Company during the year. Premium revenue comprise premium attributable to the period. Premium ceded to reinsurers represent premiums attributable to the reinsurers under reinsurance contracts.

Unit-linked life insurance premium revenue represents premiums actually received during the accounting period under policies in force.

3.19 Insurance claims

Claims paid comprise actually paid claims during the period and claims handling expenses. Claims incurred comprise claims attributable to the accounting period. Reinsurance recoveries comprise claims recoverable from reinsurer's under reinsurance contracts.

3.20 Acquisition expenses

Acquisition expenses include expenses incurred while concluding insurance contracts such as commission and other payments to intermediaries, expenses of preparation of insurance documents, advertising expenses. Commission on unit-linked is accounted under deferred acquisition costs. Such deferred costs are being amortized over the anticipated premium paying period of the related policies.

Commissions for the policies not yet effective and for prepaid premiums are accounted for under deferred acquisition costs.

3.21 Technical provisions

Technical provisions are computed in accordance with Lithuanian Insurance Supervisory Authority and are based on estimates, the adequacy of which is evaluated based on observations of historical and current data and the use of projection methods that consider developing trends in experience and that adjust for changes in circumstances.

a) Technical provision for unearned premiums
Technical provision for unearned premiums represents the part of premiums written which relates to the period of risk subsequent to the accounting period. Technical provision for unearned premiums is calculated for every contract separately by proportionate distribution of the written premium throughout the risk period. The part of technical provision for unearned premiums attributable to the reinsurers is calculated by the same method.

b) Technical provision for claims outstanding
Technical provision for claims outstanding represents amounts payable for claims outstanding. Provision covers all anticipatory payments for incurred and reported, incurred and not reported claims, including sums required for claims settlement according to all above mentioned claims as of the financial statement date.

Base for calculation of technical provision for claims outstanding is an individual evaluation of every reported claim, according to the information available at the moment of calculation of this technical provision.

The part of provision for claims incurred, not reported is calculated using "chain-ladder" method for every insurance type separately.

The part of technical provision for outstanding claims attributable to the reinsurers is calculated under reinsurance contracts.

c) Mathematical technical provision
Life insurance mathematical technical provision is calculated individually for every policy applying an actuarial conservative perspective assessment. Life insurance mathematical technical provision is a difference of the actuarially discounted value of the future policy benefits less the discounted value of the future premium payments.

The method of assessment can be described as prospective net premium method. For the calculations the Company applies Zillmer adjustment method. Thus deferred acquisition costs reduce life insurance mathematical technical reserve.

When computing the life insurance mathematical technical provision the Company applies mortality tables of general population of Lithuania for the years 1993 – 1996. 3.5% p.a. rate of interest is applied for agreements signed in the year 2002, 2.32% p.a. rate of interest - for agreements signed from 1 October 2000 to 31 December 2001 and from 1 January 2003 to 31 August 2005, 2% - for agreements signed after 1 September 2005.

d) Technical provision for unit-linked life insurance policies
Technical provision for unit-linked life insurance policies is calculated using retrospective method. Technical provision is calculated by adding invested premiums less charges applied to the policy holder to cover expenses and the risk assumed. The technical provision is expressed in investment units which are reprised in accordance with changes in market values of related investments.

3.22 Derivative financial instruments

The Group/Bank performs operations with derivative financial instruments. The Group/Bank use derivative financial instruments for the purpose of currency exchange and interest rate risk management. Derivative financial instruments including foreign exchange contracts, forward rate agreements and other derivative financial instruments are carried on balance sheet accounts at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. These transactions are accounted for at notional value under off balance sheet items (Note 42).

The Group/Bank evaluate the position of every financial instrument daily by comparing current exchange rates and exchange rates on the maturity (contractual) date and recognizes the unrealized gain or loss in the income statement of the related period. Realized gain or loss is recognized at the maturity (contractual) date.

3.23 Financial instruments with off-balance sheet risk

In the normal course of business, the Group/Bank enters into financial instruments with off balance sheet risk, which include foreign exchange and interest rate contracts and issued guarantees. These financial instruments involve, to varying degrees, elements of credit, interest rate and currency risk. Provision is made for estimated losses, if any, on such off balance sheet items by a charge to the income statement.

3.24 Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Where, in the opinion of management, the fair value of financial assets and liabilities differ materially from their carrying amount, such fair values are separately disclosed in the explanatory notes to the financial statements.

3.25 Operating segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed.

3.26 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the supervisory council and management board, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting party.

3.27 Offsetting

The Bank and the Group offset a financial asset and a financial liability and reports the net amount in the statement of financial position when the Bank and the Group:

a) Has a legally enforceable right to set off the recognised amounts and;
b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Presentation of financial statements in conformity with IFRS and IFRS as adopted by the EU requires the Group and the Bank to make judgments and estimates that affect the recognized amounts for assets, liabilities and disclosures of contingent assets and liabilities as of the balance sheet date as well as recognized income and expenses for the reporting period. Actual results may deviate from such estimates, and the deviations may be significant.

Estimates

The Group and the Bank make various estimates to determine the value of certain assets and liabilities. When the value of loans as well as other financial assets, for which loss events have occurred, is tested for impairment, an estimate is made of when in the future and in which amount relevant cash inflow will occur. The measurement of financial instruments is described below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

<u>Current economic situation and its impact on the Bank and the Group</u>
The Bank and the Group has been impacted by the recent financial crisis and worsened economic conditions. According to public available information, the Lithuanian GDP declined by 15% during 2009. The management of the Bank/Group's assesses, that the economic situation is expected to stabilize in 2010. Economists' reports indicate that GDP is expected to stay at similar level as in 2009. Negative factors of shutting down Ignalina Nuclear Power Plant and increased energy prices will probably be offset by increasing net exports. General government expenditure and private consumption expenditure are expected to decrease during 2010, unemployment is expected to reach approximately 16.7% in 2010 (from 13.8% in 2009). The impact of negative factors will be particularly strong in the first half of 2010, the second half of the year is expected to show positive trends. Year 2011 will show an improvement in most of the economic indicators.

The economic situation in Lithuania already had a negative impact on the financial condition and performance of the Group and the Bank – in 2009, provision for the impairment of loans and finance lease receivables expenses showed a considerable increase. It is very likely that such tendencies will remain in 2010 thus adversely affecting performance of the Group and the Bank.

According to scenario estimates, the capital adequacy and liquidity ratios of the Group and the Bank are expected to remain at satisfactory levels. The contingency plan included in annual stress testing results indicates prioritary sources of additional financial resources if needed. The key priorities of the Group's activities for 2010 will be exclusive attention to assuring asset quality and improvement of operating efficiency of the Group through optimization of Group's costs and concurrently adjusting to the changing operating environment. However, irrespective of all measures to be taken, the Group and the Bank do not forecast profitable activities in 2010, but expect the stabilization and improvement in the second half of the year, along with the economy of the country.

As a result of such economic situation and its development uncertainties actual future loan impairment losses may differ from recorded estimates at the end of 2009.

On the basis of the above, there is a high level of uncertainty about the economic development, which could have material impact on future financial position and operating results. Based on present conditions and scenario analysis, the Bank has assessed that in case of additional financing needs sufficient additional financial resources that might be needed to meet liquidity or capital needs of the Bank are available and will be obtained.

<u>Estimated impairment of goodwill</u>
The Group/Bank test goodwill for impairment annually. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. As of 31 December 2009 and 2008 the carrying amount of goodwill related to acquisition of GD UAB Bonum Publicum was LTL'000 19,647. Goodwill was not impaired as of 31 December 2009 and 2008.

Business valuation of UAB Bonum Publicum was performed using value in use (discounted cash flows) method (discount rate of 18.2%, estimated cash flows for the period 2010-2013 were used for valuation purposes). The valuation was performed by the assets appraiser R.Strelčiūnienė. The result of valuation was compared with the cost of acquisition, and it was found that the investment in UAB Bonum Publicum was not impaired.

<u>Impairment losses on loans and finance lease receivable</u>
The Group/Bank reviews its loan portfolios to assess impairment at least once a month. In determining whether an impairment loss should be recorded in the income statement, the Group/Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and finance lease receivable before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the loan risk group.

Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTE 5 RESTATEMENT OF THE COMPARATIVE FINANCIAL INFORMATION AND RECLASSIFICATION OF AMOUNTS IN THE FINANCIAL STATEMENTS OF 2008

5.1 Reclassification

In the financial statements for the year ended 31 December 2008, loans to and deposits from financial institutions (i.e. non-bank and non-credit institutions whose main activity is rendering financial services) were included in "Loans and advances to banks and other financial institutions" and "Due to banks and other financial institutions". As most of the publicly available information on Lithuanian banking market assigns loans to and deposits from financial institutions to loans to and deposits from customers, the decision was taken to reclassify Group's and Bank's balances accordingly.

As a result, loans to financial institutions were reclassified from "Loans and advances to banks and other financial institutions" to "Loans and finance lease receivable" (reclassification amount: the Group - LTL'000 192,322, the Bank - LTL'000 829,773).

Deposits from financial institutions were reclassified from "Due to banks and other financial institutions" to "Due to customers" (reclassification amount: the Group - LTL'000 119,618, the Bank - LTL'000 427,965).

Deposit insurance expenses were reclassified from Operating expenses to Interest expense (reclassification amount: the Group and the Bank LTL'000 13,137).

In the financial statements for the year ended 31 December 2008, cash flows from investment securities (held to maturity and available for sale) were classified as cash flows from operating activities. In 2009 the Group and the Bank has changed its accounting policy and classified cash flows from investment securities as investment activities. As the result, cash flows from operating and investment activity of the Group and the Bank for the year 2008 were restated accordingly, impact of restatement is presented below.

5.2 Restatement of comparative information

In year 2009 Group's company UAB Bonum Publicum has changed its accounting policy for deferred acquisition costs. According to the new accounting policy, the acquisition costs of unit-linked insurance policies are recognized as an expense during the first five years after the activation date of the insurance policy according to the following proportions: during 1st year – 50 %, during 2nd year – 20 %, during 3rd year- 10 %, during 4th year – 10%, during 5th year- 10%, when, according to the analysis made, the expenses related to signing of the contract are excluded. Previously, the commission fees of the unit-linked insurance agreements, had been deferred and proportionally depreciated during the effective period of the contract. As a result, Other assets and Retained earnings decreased by LTL'000 4,534, net insurance income decreased by LTL'000 2,128.

The impact of the above discussed restatement of the comparative financial information and reclassification of amounts in financial statements of 2008 is as follows:

Statement of financial position as of 31 December 2008 (the Group)	**as previously reported**	**restatement adjustment**	**as restated**
ASSETS			
Loans and advances to banks and other financial institutions (line title changed to Loans and advances to banks and other credit institutions)	294,340	(192,322)	102,018
Loans and finance lease receivable	2,879,888	192,322	3,072,210
Other assets	69,881	(4,534)	65,347
LIABILITIES			
Due to banks and other financial institutions (line title changed to Due to banks and other credit institutions)	380,635	(119,618)	261,017
Due to customers	2,915,898	119,618	3,035,516
EQUITY			
Retained earnings	108,158	(4,534)	103,624

(Continued)

Statement of financial position as of 31 December 2008 (the Bank)	**as previously reported**	**restatement adjustment**	**as restated**
ASSETS			
Loans and advances to banks and other financial institutions (line title changed to Loans and advances to banks and other credit institutions)	928,873	(829,773)	99,100
Loans and finance lease receivable	2,512,504	829,773	3,342,277
LIABILITIES			
Due to banks and other financial institutions (line title changed to Due to banks and other credit institutions)	673,783	(427,965)	245,818
Due to customers	2,915,898	427,965	3,343,863

Income statement for the year ended 31 December 2008 (the Group)	**as previously reported**	**restatement adjustment**	**as restated**
Net interest income	143,899	(13,137)	130,762
Net insurance income	12,532	(2,198)	10,334
Operating expenses	(162,389)	13,028	(149,361)

Income statement for the year ended 31 December 2008 (the Bank)	**as previously reported**	**restatement adjustment**	**as restated**
Net interest income	108,948	(13,137)	95,811
Operating expenses	(139,973)	13,137	(126,836)

Statement of cash flows for the year ended 31 December 2008 (the Group)	**as previously reported**	**restatement adjustment**	**as restated**
Net cash generated from (used in) operating activities	(563,249)	9,307	(553,942)
Net cash generated from (used in) investing activities	15,345	(9,307)	6,038

Statement of cash flows for the year ended 31 December 2008 (the Bank)	**as previously reported**	**restatement adjustment**	**as restated**
Net cash generated from (used in) operating activities	(564,821)	8,135	(556,686)
Net cash generated from (used in) investing activities	16,327	(8,135)	8,192

(Concluded)

NOTE 6 CASH AND BALANCES WITH CENTRAL BANK

The Group 31.12.2009	The Group 31.12.2008	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008	The Bank 01.01.2008
			Cash and balances with Central Bank			
123,702	127,280	156,651	Compulsory reserve	123,702	127,280	156,651
214,368	16,936	6,243	Funds on correspondent account (Note 31)	214,368	16,936	6,243
104,666	44,659	39,481	Cash on hand (Note 31)	104,649	44,658	39,480
-	-	7	Other (Note 31)	-	-	7
442,736	**188,875**	**202,382**	**Total cash and balances with Central Bank**	**442,719**	**188,874**	**202,381**

The compulsory reserve held with the Bank of Lithuania comprises the funds calculated on a monthly basis as a 4% share of the balance of deposits. 1/2 part of required minimum reserve is remunerated by the Bank of Lithuania at the average, taken over the maintenance period, of the European Central Bank marginal interest rate for the main refinancing operation.

NOTE 7 LOANS AND ADVANCES TO BANKS AND OTHER CREDIT INSTITUTIONS

The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008 as restated (Note 5)	The Bank 01.01.2008
			Loans and advances to banks and other credit institutions			
584,667	69,500	178,215	Funds on correspondent accounts	584,667	69,500	178,215
			Deposits:			
73,326	*9,887*	*458,681*	*Overnight deposits*	*73,326*	*9,887*	*458,681*
15,306	*12,201*	*35,075*	*Term deposits*	*8,279*	*9,670*	*33,527*
4,670	*10,430*	*11,870*	*Demand deposits*	*4,055*	*10,043*	*9,920*
-	-	31,448	Loans	-	-	31,448
677,969	**102,018**	**715,289**	**Total loans and advances to banks and other credit institutions**	**670,327**	**99,100**	**711,791**
(1)	*-*	*-*	*Provisions for the impairment of loans and advances to banks and other credit institutions (note 33 (f))*	*(1)*	*-*	*-*
677,968	**102,018**	**715,289**	**Total loans and advances to banks and other credit institutions, net of provisions**	**670,326**	**99,100**	**711,791**

NOTE 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group 31.12.2009	The Group 31.12.2008	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008	The Bank 01.01.2008
			Debt securities held for trading			
224	1,867	24,248	Debt securities of entities	-	-	22,257
2,616	2,156	71,538	Debt securities of banks and financial institutions	892	931	68,476
9,205	5,986	71,214	Government bonds	-	-	65,278
12,045	**10,009**	**167,000**	**Total**	**892**	**931**	**156,011**
842	**15,771**	**16,059**	**Derivatives**	**852**	**15,771**	**16,059**
			Equity securities held for trading			
29,914	19,377	40,463	Investment funds	9,170	9,716	31,871
188	93	7,449	Equity securities of entities	188	93	7,349
-	-	2,256	Equity securities of banks and financial institutions	-	-	2,256
30,102	**19,470**	**50,168**	**Total**	**9,358**	**9,809**	**41,476**
42,989	**45,250**	**233,227**	**Total financial assets at fair value thought profit or loss**	**11,102**	**26,511**	**213,546**

NOTE 9 LOANS AND FINANCE LEASE RECEIVABLE

The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008 as restated (Note 5)	The Bank 01.01.2008
			Loans and finance lease receivable			
1,111,862	1,601,682	1,203,751	Loans to small and medium size enterprises (SMEs)	1,152,249	1,597,899	1,203,752
851,844	733,879	468,112	Loans to other enterprises	854,116	733,879	435,055
334,665	391,700	284,586	Loans to individuals	211,471	262,066	236,460
185,950	192,322	104,624	Loans to financial institutions	230,545	835,612	512,564
141,301	253,259	254,666	Finance lease receivable	-	-	-
2,625,622	**3,172,842**	**2,315,739**	**Total loans and finance lease receivable**	**2,448,381**	**3,429,456**	**2,387,831**
(205,118)	(100,632)	(65,539)	Provisions for impairment loss of loans and finance lease receivable (note 33 (f))	(176,560)	(87,179)	(56,800)
(193,492)	*(85,732)*	*(58,877)*	*Provisions for impairment loss of loans receivable*	*(176,560)*	*(87,179)*	*(56,800)*
(11,626)	*(14,900)*	*(6,662)*	*Provisions for impairment loss of finance lease receivables*	-	-	-
2,420,504	**3,072,210**	**2,250,200**	**Total loans and finance lease receivable from customers, net of provisions**	**2,271,821**	**3,342,277**	**2,331,031**

As of 31 December 2009 the Group's/Bank's "Loans and finance lease receivable" balances include accrued interest in the amount of LTL'000 68,431 and LTL'000 63,128 respectively (31 December 2008: LTL'000 13,699 and LTL'000 9,292 respectively, 1 January 2008: LTL'000 8,676 and LTL'000 14,390 respectively).

As of 31 December the Group's minimum lease receivables and the present value of minimum lease receivables are composed as follows:

Minimum lease receivables 31.12.2009	Minimum lease receivables 31.12.2008	Minimum lease receivables 01.01.2008		Present value of minimum lease receivables 31.12.2009	Present value of minimum lease receivables 31.12.2008	Present value of minimum lease receivables 01.01.2008
64,367	141,261	152,408	Due within one year	56,297	121,400	132,688
49,459	93,839	86,357	Due within two and five years	38,380	77,193	72,473
25,722	15,322	17,842	Due after five years	23,581	11,807	13,790
139,548	**250,422**	**256,607**	**Total**	**118,258**	**210,400**	**218,951**
(21,290)	(40,022)	(37,656)	Less: unearned finance income	-	-	-
118,258	**210,400**	**218,951**	**Minimum lease receivable**	**118,258**	**210,400**	**218,951**
23,043	42,859	35,715	Add: VAT receivable	23,043	42,859	35,715
(11,626)	(14,900)	(6,662)	Provisions for impairment loss of finance lease receivable	(11,626)	(14,900)	(6,662)
129,675	**238,359**	**248,004**	**Finance lease receivable, net of provisions**	**129,675**	**238,359**	**248,004**

Finance lease receivables distribution by the type of asset leased is as follows:

The Group				The Bank		
31.12.2009	31.12.2008	01.01.2008		31.12.2009	31.12.2008	01.01.2008
			Finance lease by type of assets leased			
8,780	40,211	23,521	Special equipment			
12,676	34,371	54,838	Computer equipment	-	-	-
9,177	22,651	28,789	Household equipment	-	-	-
9,353	22,093	20,182	Manufacturing equipment	-	-	-
6,507	21,180	26,778	Audio and video equipment	-	-	-
29,306	20,920	21,211	Real estate	-	-	-
7,068	17,159	17,231	Furniture	-	-	-
31,175	13,551	8,518	Vehicles	-	-	-
4,118	10,709	13,096	Construction materials	-	-	-
1,578	7,851	11,227	Mobile telephones	-	-	-
21,563	42,563	29,275	Other assets	-	-	-
141,301	**253,259**	**254,666**	**Total finance lease receivable by type of assets leased**	**-**	**-**	**-**
(11,626)	(14,900)	(6,662)	Provisions for impairment of finance lease receivable	-	-	-
129,675	**238,359**	**248,004**	**Total finance lease receivable by type of assets leased, net of provisions**	**-**	**-**	**-**

The Bank's subsidiary UAB Ūkio Banko Lizingas and its' subsidiary RAB Ūkio Bank Lizing is engaged in leasing business.

The average term of a lease contract is 39 months.

NOTE 10 INVESTMENT SECURITIES

The Group				The Bank		
31.12.2009	31.12.2008	01.01.2008		31.12.2009	31.12.2008	01.01.2008
			Equity investment securities available-for-sale			
11,504	11,509	24,759	Equity securities of entities available-for-sale	11,487	11,486	22,263
10,832	9,221	9,018	Equity securities of banks and financial institutions available-for-sale	10,445	9,050	9,018
22,336	**20,730**	**33,777**	**Total equity investment securities available-for-sale**	**21,932**	**20,536**	**31,281**
			Debt investment securities available-for-sale			
6,446	-	-	Debt investment securities of entities available-for-sale	6,446	-	-
14,557	29,946	-	Debt investment securities of banks and financial institutions available-for-sale	14,557	29,946	-
43,339	**50,676**	**33,777**	**Total investment securities available-for-sale**	**42,935**	**50,482**	**31,281**
			Investment securities held to maturity			
86,591	123,242	150,698	Debt securities of entities held to maturity	86,591	123,140	150,698
145,172	205,789	239,109	Debt securities of banks and financial institutions held to maturity	337,340	202,981	238,250
36,733	46,177	5,038	Government debt securities held to maturity	36,302	45,890	4,746
268,496	**375,208**	**394,845**	**Total debt investment securities held to maturity**	**460,233**	**372,011**	**393,694**

As of 31 December 2009 investment securities held to maturity with carrying amount LTL'000 121,935 were pledged under repurchase agreements (as of 31 December 2008: LTL'000 70,469) (Note 16).

NOTE 11 INVESTMENTS IN SUBSIDIARIES

The Group				The Bank		
31.12.2009	**31.12.2008**	**01.01.2008**		**31.12.2009**	**31.12.2008**	**01.01.2008**
			Investments in subsidiaries			
-	-	-	GD UAB Bonum Publicum	36,321	36,321	36,321
-	-	-	UAB Ūkio Banko Investicijų Valdymas	2,000	2,000	2,000
-	-	-	UAB Ūkio Banko Lizingas	1,000	1,000	1,000
-	-	-	UAB Ūkio Banko Rizikos Kapitalo Valdymas	19,924	500	500
-	-	-	UAB Investicinio Turto Valdymas	98,391	-	-
-	-	-	UAB Turto Valdymo Sistemos	-	-	1,000
-	-	-	UAB Turto Valdymo Sprendimai	-	-	1,000
-	-	-	UAB Turto Valdymo Strategija	-	-	1,000
-	**-**	**-**	**Total investments in subsidiaries**	**157,636**	**39,821**	**42,821**

On 24 July 2008, the Bank and the Group disposed of 100% of the share capital of its 3 subsidiaries (UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos) in Lithuania and one subsidiary (OAO Russkiy Karavay) in Russia, 99% shares of which belonged to the Group.

On 17 September 2009, the Bank took over for bad debts 100% of the share capital of UAB Investicinio Turto Valdymas (Note 12). The takeover resulted in excess of the fair value of net assets acquired in subsidiary over the cost of acquisition amounting to LTL 404 thousand, which was recognised in the income statement line "Other operating income" (Note 25). UAB Investicinio Turto Valdymas contributed a net profit of LTL'000 4,247 for the period from 17 September 2009 to 31 December 2009.

In December 2009, the share capital of UAB Investicinio Turto Valdymas was increased by LTL'000 98,391 and amounted to LTL'000 100,901 at the year-end. The capital was increased by capitalizing loans granted to UAB Investicinio Turto Valdymas.

In December 2009, the share capital of UAB Ūkio Banko Rizikos Kapitalo Valdymas was increased by LTL'000 19,425 and amounted to LTL'000 19,924 at the year-end. The capital was increased by capitalizing loans granted to UAB Ūkio Banko Rizikos Kapitalo Valdymas.

NOTE 12 ACQUISITIONS AND DISPOSALS

On 24 July 2008, the Bank and the Group disposed of 100% of the share capital of its 3 subsidiaries (UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos) in Lithuania and one subsidiary (OAO Russkiy Karavay) in Russia, 99% shares of which belonged to the Group for. The subsidiaries operated in the other activities segment and contributed a net profit of LTL'000 14,932 for the period from 1 January 2008 to 24 July 2008.

The net assets of disposed subsidiaries during 2008 and the gain (loss) on disposal were as follows:

UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai, UAB Turto valdymo Sistemos and OAO Russkij Karavaj net assets	**LTL'000**
Cash and cash equivalents	125
Investment securities available-for-sale	12
Goodwill	3,981
Property, plant and equipment	264,998
Other assets	22,522
Liabilities	(280,507)
Minority share	(540)
Net assets	**10,591**
Total consideration	30,000
Less: Cash and cash equivalents in subsidiaries sold	(125)
Cash inflow on sale	**29,875**

Analysis of the result of discontinued operations is as follows:

	2008
Interest income	1,273
Interest expense	(3,032)
Interest income, net	**(1,759)**
Net gain from dealing in foreign currencies	862
Impairment charge for credit losses	(12,327)
Operating profit (loss)	**(13,224)**
Operating expenses	(395)
Profit before income tax	**(13,619)**
Income tax expense	(372)
Profit (loss) for the year from discontinued operations before gain on disposal of discontinued operations	**(13,991)**
Gain on disposal of operation (including reversal of foreign currency translation reserve on disposal of subsidiaries)	**28,923**
Net profit for the year from discontinued operations	**14,932**
Attributable to:	
Equity holders of the parent	14,932
Minority interest	-

On September 17, 2009, the Group took over for bad debts 100% of the share capital of UAB Investicinio Turto Valdymas (Vilnius, Lithuania). The company contributed net profit of LTL'000 4,247 to the Group for the period from 17 September to 31 December 2009.

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

UAB Investicinio Turto Valdymas net assets	**Acqueree's carrying amount before takeover**
Property, plant and equipment	1
Investment property	117,000
Other assets	45
Liabilities	(116,642)
Excess of the fair value of assets acquired in subsidiary over the cost of acquisition	(404)
Total purchase consideration paid	**-**
Cost of acquisition	-
Less: Cash and cash equivalents in subsidiary acquired	-
Cash outflow on acquisition	**-**

The takeover resulted in excess of the fair value of net assets acquired in subsidiary over the cost of acquisition amounting to LTL 404 thousand, which was recognised in the income statement line "Other operating income" (Note 25).

NOTE 13 INTANGIBLE ASSETS

The Group				The Bank
Software	**Goodwill**	**Total**		**Software**
			Acquisition cost	
7,642	**23,628**	**31,270**	**As of 1 January 2008**	**6,736**
-	(3,981)	(3,981)	disposals of subsidiaries	-
2,018	-	2,018	additions	1,883
(493)	-	(493)	disposals, write-offs (-)	(464)
(2)	-	(2)	currency exchange differences	-
9,165	**19,647**	**28,812**	**As of 31 December 2008**	**8,155**
884	-	884	additions	769
(400)	-	(400)	disposals, write-offs (-)	(391)
(4)	-	(4)	currency exchange differences	-
9,645	**19,647**	**29,292**	**As of 31 December 2009**	**8,533**
			Accumulated amortization	
5,053	**-**	**5,053**	**As of 1 January 2008**	**4,389**
1,581	-	1,581	amortization	1,452
(493)	-	(493)	disposals, write-offs (-)	(464)
6,141	**-**	**6,141**	**As of 31 December 2008**	**5,377**
1,416	-	1,416	amortization	1,285
(358)	-	(358)	disposals, write-offs (-)	(349)
(2)	-	(2)	currency exchange differences	-
7,197	**-**	**7,197**	**As of 31 December 2009**	**6,313**
			Carrying amount	
3,024	**19,647**	**22,671**	**As of 31 December 2008**	**2,778**
2,448	**19,647**	**22,095**	**As of 31 December 2009**	**2,220**

The carrying value of the computer software acquired by the Bank under finance lease agreements as of 31 December 2009 amounted to LTL'000 nil (2008: LTL'000 407).

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

The Group	**Buildings and other real estate**	**Vehicles**	**Office equipment**	**Construction in progress**	**Total**
Historical cost					
As of 1 January 2008	**10,664**	**8,740**	**22,524**	**326,645**	**368,573**
additions	92	1,271	9,585	-	10,948
impairment	-	-	-	(62,888)	(62,888)
disposal of subsidiaries	-	-	(49)	(264,949)	(264,998)
disposals, write-offs (-)	-	(1,071)	(1,537)	-	(2,608)
currency exchange differences	(806)	-	49	1,192	435
As of 31 December 2008	**9,950**	**8,940**	**30,572**	**-**	**49,462**
additions	-	8,190	4,253	-	12,443
acquisition of subsidiary	-	-	1	-	1
disposals, write-offs (-)	-	(783)	(3,833)	-	(4,616)
currency exchange differences	(135)	(4)	(7)	-	(146)
As of 31 December 2009	**9,815**	**16,343**	**30,986**	**-**	**57,144**
Accumulated depreciation	**1,602**	**3,464**	**9,723**	**-**	**14,789**
As of 1 January 2008				**-**	
depreciation	353	1,296	4,069	-	5,718
disposals, write-offs (-)	-	(394)	(1,530)	-	(1,924)
currency exchange differences	(49)	-	-	-	(49)
As of 31 December 2008	**1,906**	**4,366**	**12,262**	**-**	**18,534**
depreciation	263	2,435	4,204	-	6,902
disposals, write-offs (-)	-	(507)	(2,046)	-	(2,553)
currency exchange differences	(16)	(24)	(10)	-	(50)
As of 31 December 2009	**2,153**	**6,270**	**14,410**	**-**	**22,833**
Carrying amount					
As of 31 December 2008	**8,044**	**4,574**	**18,310**	**-**	**30,928**
As of 31 December 2009	**7,662**	**10,073**	**16,576**	**-**	**34,311**

The depreciation charge for the year is included in operating expenses in the income statement.

The Bank	Buildings and other real estate	Vehicles	Office equipment	Total
Historical cost				
As of 1 January 2008	**8,068**	**6,871**	**20,969**	**35,908**
additions	-	866	9,399	10,265
disposals, write-offs (-)	-	(962)	(1,185)	(2,147)
As of 31 December 2008	**8,068**	**6,775**	**29,183**	**44,026**
additions	-	842	2,866	3,708
disposals, write-offs (-)	-	(692)	(3,055)	(3,747)
As of 31 December 2009	**8,068**	**6,925**	**28,994**	**43,987**
Accumulated depreciation				
As of 1 January 2008	**1,602**	**2,230**	**8,652**	**12,484**
depreciation	141	1,086	3,852	5,079
disposals, write-offs (-)	-	(285)	(1,186)	(1,471)
As of 31 December 2008	**1,743**	**3,031**	**11,318**	**16,092**
depreciation	135	1,070	3,873	5,078
disposals, write-offs (-)	-	(420)	(1,960)	(2,380)
As of 31 December 2009	**1,878**	**3,681**	**13,231**	**18,790**
Carrying amount				
As of 31 December 2008	**6,325**	**3,744**	**17,865**	**27,934**
As of 31 December 2009	**6,190**	**3,244**	**15,763**	**25,197**

The depreciation charge for the year is included in operating expenses in the income statement.

The carrying amount of the vehicles acquired by the Bank under finance lease agreements as of 31 December 2009 was LTL'000 308 (2008: LTL'000 nil).

Investment property

The Group		The Bank
23,638	**Investment property fair value as of 1 January 2008**	**13,730**
2,388	Investment property additions	2,322
-	Sales, write off (disposal) of investment property (-)	-
-	Gain (loss) arising on change in the fair value	-
26,026	**Investment property fair value as of 31 December 2008**	**16,052**
-	Investment property additions	-
-	Sales, write off (disposal) of investment property (-)	-
(186)	Gain (loss) arising on change in the fair value	-
117,000	Takeover of subsidiary (Note 12)	-
142,840	**Investment property fair value as of 31 December 2009**	**16,052**

The investment property fair values were revalued as of 31 December 2009 by independent assets appraisers V. Černius appraisers company and government's company Registru centras. The fair value of buildings was determined under the market value basis.

NOTE 15 OTHER ASSETS

The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008	The Bank 01.01.2008
			Other assets			
26,084	34,313	40,931	Prepayments	24,818	31,813	19,717
16,810	20,089	24,757	Deferred expenses	13,239	15,748	18,693
1,566	2,372	4,062	Accounts receivable	2,268	2,372	4,062
3,898	1,972	-	Income tax paid in advance	2,000	1,849	-
77,250	917	29	Foreclosed assets	61,172	917	29
147	318	353	Transit accounts	23	104	48
352	9	5,337	Receivables on securities transactions	352	9	5,337
5,402	5,769	16,709	Other receivables	3,775	5,100	5,962
131,509	**65,759**	**92,178**	**Total other assets**	**107,647**	**57,912**	**53,848**
(504)	(412)	(3,036)	Provisions for impairment loss of other assets (Note 33 (f))	(501)	(412)	(809)
131,005	**65,347**	**89,142**	**Total other assets, net of provisions**	**107,146**	**57,500**	**53,039**

NOTE 16 DUE TO BANKS AND OTHER CREDIT INSTITUTIONS

The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008 as restated (Note 5)	The Bank 01.01.2008
			Due to banks and other credit institutions			
799	28,191	3,033	Due to correspondent banks	799	28,191	3,033
79,776	105,924	94,563	Deposits	79,776	105,924	94,563
			Loans:			
72,980	*23,456*	*201,196*	*Falling due within one year*	*63,980*	*8,273*	*170,980*
50,045	*48,100*	*108,013*	*Falling due after one year*	*50,045*	*48,100*	*108,013*
81,926	54,138	-	Repurchase agreements	81,926	54,138	-
285,526	**259,809**	**406,805**	**Total**	**276,526**	**244,626**	**376,589**
338	1,208	2,739	Accrued interest	338	1,192	2,664
285,864	**261,017**	**409,544**	**Total due to banks and other credit institutions**	**276,864**	**245,818**	**379,253**

As of 31 December 2009 investment securities held to maturity with carrying amount LTL'000 121,935 were pledged under repurchase agreements (as of 31 December 2008: LTL'000 70,469) (Note 10).

NOTE 17 DUE TO CUSTOMERS

The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008 as restated (Note 5)	The Bank 01.01.2008
			Due to customers			
649,248	519,153	1,059,497	Current and demand deposits	649,692	519,614	1,059,497
2,662,221	2,516,363	1,983,922	Term deposits, letters of credit	2,670,597	2,824,249	1,993,322
42,592	-	110,895	Loans	42,592	-	-
3,354,061	**3,035,516**	**3,154,314**	**Total due to customers**	**3,362,881**	**3,343,863**	**3,052,819**

The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008 as restated (Note 5)	The Bank 01.01.2008
			Current and demand deposits			
434,335	323,717	768,916	Companies	434,348	323,717	768,916
170,575	153,175	145,981	Individuals	170,575	153,175	145,981
44,338	42,261	144,600	Financial institutions	44,769	42,722	144,600
649,248	**519,153**	**1,059,497**		**649,692**	**519,614**	**1,059,497**
			Term deposits, letters of credit			
482,795	786,171	469,567	Companies	482,857	786,171	469,567
2,080,431	1,621,358	1,329,397	Individuals	2,080,431	1,621,358	1,329,397
57,845	77,167	164,749	Financial institutions	66,023	385,053	174,149
2,621,071	**2,484,696**	**1,963,713**		**2,629,311**	**2,792,582**	**1,973,113**
			Loans			
8,000	-	-	Government institutions	8,000	-	-
34,040	-	-	Financial institutions	34,040	-	-
-	-	110,895	Private companies	-	-	-
42,040	**-**	**110,895**		**42,040**	**-**	**-**
41,702	31,667	20,209	Accrued interest	41,838	31,667	20,209
3,354,061	**3,035,516**	**3,154,314**	**Total due to customers**	**3,362,881**	**3,343,863**	**3,052,819**

NOTE 18 DEBT SECURITIES IN ISSUE

As of 31 December 2009, the Group and the Bank had the following debt securities in issue:

The Group / The Bank as of 31 December 2009:	**Currency**	**Annual interest rate**	**Maturity**	**Carrying value**
Fixed rate notes issue No. 1/2008	LTL	8.0%	2010	8,454
Fixed rate notes issue No. 2/2008	LTL	8.0%	2010	5,822
Fixed rate notes issue No. 3/2008	EUR	7.0%	2010	3,584
Total debt securities in issue				**17,860**

As of 31 December 2008, the Group had the following debt securities in issue:

The Group as of 31 December 2008:	**Currency**	**Annual interest rate**	**Maturity**	**Carrying value**
Fixed rate notes issue No. 1/2008	LTL	8.0%	2010	12,771
Fixed rate notes issue No. 2/2008	LTL	8.0%	2010	7,722
Fixed rate notes issue No. 3/2008	EUR	7.0%	2010	4,113
Fixed rate notes issue No. 4/2008	LTL	7.5%	2009	168
Fixed rate notes issue No. 5/2008	EUR	6.5%	2009	10
Total debt securities in issue				**24,784**

As of 31 December 2008, the Bank had the following debt securities in issue:

The Bank as of 31 December 2008:	**Currency**	**Annual interest rate**	**Maturity**	**Carrying value**
Fixed rate notes issue No. 1/2008	LTL	8.0%	2010	13,165
Fixed rate notes issue No. 2/2008	LTL	8.0%	2010	9,565
Fixed rate notes issue No. 3/2008	EUR	7.0%	2010	4,113
Fixed rate notes issue No. 4/2008	LTL	7.5%	2009	168
Fixed rate notes issue No. 5/2008	EUR	6.5%	2009	10
Total debt securities in issue				**27,021**

As of 1 January 2008, there was no debt securities issued.

NOTE 19 SUBORDINATED LOANS

As of 31 December 2009	Currency	Annual interest rate	Maturity	Accrued interest	Book value
Samsung U.K. Limited	USD	12mo USD Libor	2010	690	4,297
Taberna Europe DCO II P.L.C.	EUR	8.45%	2017	1,313	94,539
Vladimir Romanov	LTL	11.50%	2016	-	50,000
Total subordinated loans				**2,003**	**148,836**

As of 31 December 2008	Currency	Annual interest rate	Maturity	Accrued interest	Book value
Samsung U.K. Limited	USD	12mo USD Libor	2009	701	4,377
Samsung U.K. Limited	USD	12mo USD Libor	2010	628	4,304
Taberna Europe DCO II P.L.C.	EUR	8.45%	2017	1,313	94,539
Total subordinated loans				**2,642**	**103,220**

As of 1 January 2008	Currency	Annual interest rate	Maturity	Accrued interest	Book value
Samsung U.K. Limited	USD	12mo USD Libor	2009	520	4,056
Samsung U.K. Limited	USD	12mo USD Libor	2010	464	3,999
Taberna Europe DCO II P.L.C.	EUR	8.45%	2017	503	93,729
Total subordinated loans				**1,487**	**101,784**

Bank of Lithuania by order No. 121 dated 21 June 2004 and order No. 18 dated 3 February 2005 gave permission to include the subordinated loans received from Samsung U.K. Limited to the Bank's Tier 2 capital. The loan was repaid in full in January 2010.

Bank of Lithuania by order No. 183 dated 19 December 2007 gave permission to include the subordinated loan from Taberna Europe DCO II P.L.C. to the Bank's Tier 2 capital.

Bank of Lithuania by order No. 235 dated 24 December 2009 gave permission to include the subordinated loan from Vladimir Romanov to the Bank's Tier 2 capital.

NOTE 20 OTHER LIABILITIES

The Group				The Bank		
31.12.2009	31.12.2008	01.01.2008		31.12.2009	31.12.2008	01.01.2008
			Other liabilities			
32,518	20,629	19,022	Technical provisions	-	-	-
1,293	11,060	9,998	Suspense accounts	1,293	11,060	9,984
2,950	6,605	22,071	Accounts payable	-	-	-
2,882	5,106	7,296	Payroll and social security payable and vacation reserve	2,099	4,800	6,996
2,752	4,740	5,937	Prepayments from customers for finance leases	-	-	-
1,711	3,144	5,669	Prepayments for spot transactions	1,711	3,144	5,669
2,656	2,029	979	Funds on closed accounts of the customers	2,656	2,029	979
1,372	1,397	1,628	Accrued expenses for utilities, security, communications, advertising, audit	1,377	1,397	1,628
1,397	1,309	2,475	Accrued income and deferred expenses	489	421	530
1,176	1,120	1,084	Accrued deposit insurance expenses	1,176	1,120	1,084
884	1,120	-	Accrued taxes (other than income tax)	884	1,120	-
134	1,303	15,752	Taxes payable	-	910	15,117
195	-	89	Finance lease payable	195	60	89
128	-	-	Provision for off-balance sheet items	128	-	-
1,122	-	-	Payments received from guarantees	1,122	-	-
3,869	2	-	Deposit for repurchase transactions	3,869	2	-
4,145	4,230	9,196	Other liabilities	2,947	2,539	6,277
61,184	**63,794**	**101,196**	**Total other liabilities**	**19,946**	**28,602**	**48,353**

NOTE 21 SHARE CAPITAL AND RESERVES

The authorized capital of the Bank as of 31 December 2009 was LTL'000 245,824 (31 December 2008: LTL'000 196,708) and consisted of 245,824,000 (31 December 2008: 196,708,000) ordinary shares with par value of LTL 1 each. All shares are fully paid.

On 8 May 2009 the Bank's share capital was increased by LTL'000 49,116 by transferring General reserve for losses of assets to share capital.

Other reserves are formed from shareholder's additional contributions or deductions from the profit of the Bank. The purpose of Other reserves is to guarantee the financial stability of the Bank. Other reserves following the decision of the ordinary General Meeting of the Shareholders can be used to cover the losses and for the purpose discussed in Part 6 of Article 41 of Law on the Banks of the Republic of Lithuania. As of 31 December 2009 Other reserves amounted to LTL'000 136,647 (31 December 2008: LTL'000 50,000).

NOTE 22 INTEREST INCOME AND EXPENSE

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Interest income		
253,321	249,780	on loans and other receivables (including finance leases)	219,097	217,198
18,597	24,696	on investment securities held to maturity	26,379	24,432
2,132	-	on investment securities available-for-sale	2,132	-
883	5,932	on trading debt securities	300	5,442
862	2,688	on balances with central bank	862	2,688
275,795	**283,096**	**Total interest income**	**248,770**	**249,760**

The Group 2009	The Group 2008 as restated (Note 5)		The Bank 2009	The Bank 2008 as restated (Note 5)
		Interest expense		
180,948	109,021	on due to customers	188,516	112,035
8,520	20,928	on due to banks and other credit institutions	7,748	19,464
8,305	8,170	on subordinated loans	8,305	8,170
1,674	1,078	on debt securities issued	1,742	1,143
13,846	13,137	deposit insurance expenses	13,846	13,137
213,293	**152,334**	**Total interest expense**	**220,157**	**153,949**

In 2009 the Group's/Bank's total interest income includes income accrued on impaired financial assets in the amount of LTL'000 30,921 and LTL'000 24,947 respectively (2008: LTL'000 18,058 and LTL'000 14,958 respectively).

NOTE 23 FEES AND COMMISSION INCOME AND EXPENSE

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Fees and commission income		
41,021	86,361	for money transfer operations	41,139	86,495
4,794	7,004	for credit services	5,052	7,195
3,950	6,462	for bank accounts‘ services	3,950	6,462
9,103	5,065	for payment card services	3,496	5,279
2,451	3,174	for collection of taxes	2,639	3,914
3,045	2,155	for EUR currency exchange	3,046	2,155
4,558	4,927	other	4,074	4,491
68,922	**115,148**	**Total fees and commission income**	**63,396**	**115,991**

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Fees and commission expenses		
5,174	10,622	for money transfer operations	4,471	10,088
4,719	3,631	for payment card services	4,693	3,075
3,002	3,233	other	2,975	3,211
12,895	**17,486**	**Total fees and commission expenses**	**12,139**	**16,374**

NOTE 24 NET TRADING INCOME

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Net gains from dealing in foreign currency		
12,343	18,141	realized profit	13,007	18,506
(9,167)	17,796	unrealized profit (loss)	(11,397)	17,775
3,176	**35,937**	**Total**	**1,610**	**36,281**
		Net losses from financial assets at fair value through profit or loss		
		From trading securities:		
(738)	(11,136)	realized loss	(33)	(10,096)
10,825	(17,027)	unrealized profit (loss)	3,388	(11,138)
		From derivatives:		
15,664	(24,756)	realized profit (loss)	15,575	(24,675)
(5,712)	6,671	unrealized profit (loss)	(5,640)	6,607
20,039	**(46,248)**	**Total**	**13,290**	**(39,302)**
		Net gains (losses) arising from investment securities		
595	(2,688)	realized profit (loss)	616	(2,737)
-	-	realized profit on disposal of subsidiaries	-	27,000
595	**(2,688)**	**Total**	**616**	**24,263**

NOTE 25 OTHER OPERATING INCOME

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Other operating income		
2,456	879	Rent income	390	834
41	335	Fines and penalties received	23	335
(186)	-	Changes in fair value of investment property	-	-
(797)	(38)	Gain (loss) on derecognition of fixed assets	307	(59)
1,082	1,334	Other income	954	1,188
404	-	Excess of the fair value of net assets acquired in subsidiary over the cost of acquisition recognized on profit or loss	-	-
3,000	**2,510**	**Total other operating income**	**1,674**	**2,298**

NOTE 26 OPERATING EXPENSES

The Group 2009	The Group 2008 as restated (Note 5)		The Bank 2009	The Bank 2008 as restated (Note 5)
		Operating expenses		
43,464	52,381	Salary and related expenses (Note 27)	34,425	43,256
17,852	32,522	Marketing and charity expenses	12,665	25,300
17,580	16,776	Rent of premises and household expenses	16,073	15,433
5,586	10,812	Taxes (other than income tax)	5,228	10,449
8,318	7,299	Depreciation and amortization (Notes 13, 14)	6,363	6,530
3,831	4,280	Transport, post and communication service expenses	2,629	3,152
3,498	3,642	IT expenses	3,436	3,557
1,458	2,998	Training and business trip expenses	701	2,242
16,121	18,651	Other expenses	12,556	16,917
117,708	**149,361**	**Total operating expenses**	**94,076**	**126,836**

NOTE 27 SALARY AND RELATED EXPENSES

The Group 2009	The Group 2008 as restated (Note 5)		The Bank 2009	The Bank 2008
		Salary and related expenses		
34,584	33,584	Salaries	27,733	27,403
10,900	11,839	Social security	8,770	9,660
(2,020)	6,958	Bonuses and similar payments	(2,078)	6,193
43,464	**52,381**	**Total**	**34,425**	**43,256**

NOTE 28 INCOME TAX EXPENSE

As of 31 December income tax expense was composed as follows:

The Group 2009	The Group 2008 as restated (Note 5)		The Bank 2009	The Bank 2008
		Income tax		
723	7,999	Current income tax	-	7,066
(130)	1	Prior year income tax corrections	(130)	1
(16,720)	(2,171)	Change in deferred income tax (note 29)	(11,514)	(2,358)
(16,127)	**5,829**	**Total income tax**	**(11,644)**	**4,709**

The Group 2009	The Group 2008 as restated (Note 5)		The Bank 2009	The Bank 2008
(85,465)	**36,603**	**Profit (loss) before tax**	**(86,641)**	**62,092**
(17,093)	5,490	Tax calculated at a tax rate of 2009 –20% (2005 – 15%)	(17,328)	9,314
(1,162)	2,162	Tax effect of income not subject to tax and expenses not deductable in determining taxable profit	1,261	(2,248)
(130)	1	Prior year income tax corrections	(130)	1
509	69	Increase (decrease) in deferred tax resulting from change in tax rate (2010 - 15%; 2009 – 20%)	4,239	228
1,749	(1,893)	Changes in deferred income tax valuation allowance	314	(2,586)
(16,127)	**5,829**	**Income tax expense (benefit)**	**(11,644)**	**4,709**
-	15.92%	Effective tax rate	-	7.58%

NOTE 29 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are attributable to the following items:

The Group 31.12.2009	The Group 31.12.2008 as restated (Note 5)	The Group 01.01.2008		The Bank 31.12.2009	The Bank 31.12.2008	The Bank 01.01.2008
			Deferred income tax liabilities			
17,353	2,554	1,868	Revaluation of investment property	804	1,042	763
-	-	35,265	Revaluation of fixed assets	-	-	-
-	-	1,864	Revaluation of financial assets	-	-	1,741
668	859	1,024	Other liabilities	828	1,185	661
18,021	**3,413**	**40,021**		**1,632**	**2,227**	**3,165**
			Deferred income tax assets			
(3,421)	(2,992)	-	Loss on revaluation of financial assets	(3,421)	(2,992)	-
(481)	(247)	(84)	Accrued expenses	(365)	(145)	(84)
(4,521)	(3,859)	-	Provisions	-	-	-
(15,505)	(1,844)	-	Tax loss carried forward	(11,497)	-	-
(23,928)	**(8,942)**	**(84)**		**(15,283)**	**(3,137)**	**(84)**
7,554	5,805	-	Valuation allowance	314	-	-
14,984	**1,186**	**39,937**	**Total deferred income tax liabilities**	**-**	**-**	**3,081**
(13,337)	**(910)**	**-**	**Total deferred income tax assets**	**(13,337)**	**(910)**	**-**

The movement for the year ended 31 December 2009 in the Group’s and the Bank’s net deferred tax (assets)/ liability position was as follows:

	The Group	The Bank
As of 1 January 2009	**276**	**(910)**
Charge to income for the year (note 28)	(16,720)	(11,514)
Acquisition of deferred income tax liability on acquisition of subsidiary	19,004	-
Revaluation of investments available-for-sale charged to other comprehensive income	(913)	(913)
As of 31 December 2009	**1,647**	**(13,337)**

According Lithuanian tax legislation the income tax loss carried forward utilization period is unlimited.

NOTE 30 EARNINGS PER SHARE

The Group 2009	The Group 2008	Basic earnings per share calculation	The Bank 2009	The Bank 2008
		Profit attributable to equity holders of the Parent		
(69,338)	*30,774*	*from continuing operations*	*(74,997)*	*57,383*
(1,183)	*14,932*	*from discontinued operations*	-	-
(70,521)	45,706	Total profit attributable to equity holders of the Parent	(74,997)	57,383
228,600	196,708	Weighted average number of ordinary shares in issue (thousands units)	228,600	196,708
(0.30)	0.16	Basic earnings per share from continuing operations (in LTL)	(0.33)	0.29
(0.01)	0.08	Basic earnings per share from discontinued operations (in LTL)	-	-
(0.31)	**0.23**	**Basic earnings per share (in LTL)**	**(0.33)**	**0.29**

The Group 2009	The Group 2008	Diluted earnings per share calculation	The Bank 2009	The Bank 2008
(70,521)	45,706	Profit attributable to equity holders of the Parent	(74,997)	57,383
61	248	Interest expense on subordinated loans (net of tax)	61	248
(70,460)	45,954	Net profit used to determine diluted earnings per share	(74,936)	57,631
(69,277)	*31,022*	*from continuing operations*	*(74,936)*	*57,631*
(1,183)	*14,932*	*from discontinued operations*	-	-
228,600	196,708	Weighted average number of ordinary shares in issue (thousands units)	228,600	196,708
4,297	3,372	Adjustment for assumed conversion of subordinated loans (thousands units)	4,297	3,372
232,897	200,080		232,897	200,080
(0.30)	0.16	Diluted earnings per share from continuing operations (in LTL)	(0.32)	0.29
(0.01)	0.07	Diluted earnings per share from discontinued operations (in LTL)	-	-
(0.30)	**0.23**	**Diluted earnings per share (in LTL)**	**(0.32)**	**0.29**

NOTE 31 CASH AND CASH EQUIVALENTS

The Group 31.12.2009	The Group 31.12.2008	The Group 01.01.2008	Cash and cash equivalents	The Bank 31.12.2009	The Bank 31.12.2008	The Bank 01.01.2008
104,666	44,659	39,488	Cash and other valuables (Note 6)	104,649	44,658	39,487
669,972	99,486	638,183	Demand deposits in other banks and credit institutions up to 3 months	668,950	99,098	636,896
214,368	16,936	6,243	Correspondent account with Bank of Lithuania (Note 6)	214,368	16,936	6,243
-	-	3,436	Short-term realizable debt securities up to 3 months	-	-	3,436
989,006	**161,081**	**687,350**	**Cash and cash equivalents at the end of the period**	**987,967**	**160,692**	**686,062**

NOTE 32 THE PROCESSES OF RISK MANAGEMENT AND INTERNAL CONTROL

The value-based and risk/return-oriented management of AB Ūkio Bankas Group involves identifying all the major risks within the Group, as precise as possible measuring these risks and managing the resulting risk positions. Main *target for risk management of AB Ūkio Bankas Group* is to identify, analyze and limit various risks arising in expansion of the Group's activities while pursuing strategic objectives. The Group seeks to keep optimal level of risk while maximizing its profits so that unexpected changes in economic environment, fluctuations in market variables, unexpected incidents in Group's internal processes and systems would not result in a threat to stable operations of the Group, partners' trust in the Group or compliance with prudential requirements.

Risk management strategy is a component of the Group's management, which is reviewed and approved by the board of the Bank annually, before the launch of annual financial planning procedures. Risk management strategy, which sets out the principles of bank's risk management policy, risk appetite, structure of risk, the processes of risk management and internal capital adequacy assessment, is a guidance for all structural units of the Bank and subsidiaries. Major risks in the Group's risk management are first distinguished to ***quantifiable***– i.e. measurable (credit, market, concentration, operational, liquidity) – and ***unquantifiable*** – i.e. not measurable (strategic, reputation, earnings) – categories of risk. Management and measurement of certain quantifiable and unquantifiable risks is regulated by respective risk management policies.

The risk management of the Group is organized in a way that prevents the conflicts of interests of personnel or structural units. In case the situation is uncertain or doubts about the relevance/correctness of risk management arise, the employees adhere to the principles of precaution, conservativeness and prudence in decision-taking and carrying out their daily activities. New business lines in the Group's activities or products are introduced only after analysis of business-specific risk, preparation of relevant risk management and internal control procedures and gaining an approval from the Bank's Risk Management Committee. The Group focuses its exposures only in business lines in which it possesses the expertise necessary to evaluate specific risks. Risk management and the ICAAP are primarily based on the going concern objective, additional condition of which is maintaining appropriate level of Group's capital.

As a result of assessment of market risk impact on the Group's income, the Group takes on lower and medium risk – i.e. presumable maximal losses for the period of one year caused by market risk in stress testing by worst-case scenario cannot exceed 25% of the Group's non-trading income and 10% of eligible capital of the Group, capital adequacy of the Group is targeted to exceed 12% at all times. Based on the ratio of capital allocated to cover the risk and economic capital, target capital adequacy ratio, results of stress-testing and plans of Group's development and expansion, the need for increasing the Group's capital is projected and maintaining acceptable risk appetite is assured.

Determination of the Group's *risk structure*, restriction of the risk by internal limits and ratios for individual risks, business lines, banking products, categories of customers, geographic regions, economic sectors and structural units is the key ingredient of risk management and internal control processes.

Organizational scheme of risk management of the Group, which includes organizational structure of risk management, processes of risk management and control, determines the areas of responsibility and accountability, internal control and internal audit procedures of structural units of the Bank and subsidiaries. The board of the Bank is responsible for the management of the risk interest in the activities of the whole Group. When needed, certain decisions of the board are also approved by the Bank's council. Risk Management and Credit committees are the main advisors of the board on the subject of risk management. The suggestions from all structural units on improvement of risk management and reducing the risk are being pondered upon in regular meetings of committees. Separate specialized departments of the Bank are responsible for management of certain ***quantifiable*** risks (credit, market, concentration, operational, liquidity) inherent in the Group's activities. The Bank's Chief Executive Officer is responsible for the management of ***unquantifiable*** risks (strategic, reputation, earnings). The efficiency of the Group's risk management and internal control processes is assessed by Bank's internal Audit Department and Internal Audit Committee, which are subordinate to the supervisory body of the bank – i.e. Supervisory Council.

NOTE 33 CREDIT RISK MANAGEMENT

a) Introduction

The Group/Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is the most important risk to the Group's/Bank's business, therefore the management carefully manages its exposure to credit risk. Key measures for credit risk management in Group's/Bank's activities are:

- managing concentration of risk;
- analyzing the ability of potential borrowers to repay the debt by applying strict lending criteria and approval procedures, which assure decision-taking at proper level;
- measuring the ability of current borrowers to meet their obligations by following internal risk classification procedures;
- measuring the impairment of exposures;
- mitigating the risk by obtaining collateral and other credit enhancements;
- working with problem and written-off loans.

Concentration of risk management
For managing the concentration of risk, the Group/Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, and to geographical or industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

For the quantities analysis of credit risk concentration, please refer to the Note 33 (c).

Analysis of the ability of borrowers or potential borrowers to meet their obligations
Analysis of the ability of potential borrowers to repay the debt varies by product. For purchasing securities, there are certain criteria set in the procedures (for instance, certain trade volumes in regulated markets for financial assets held for trading; external credit rating criteria for debt securities; investment priorities, etc.). For granting loans to corporate or SME customers, typically the analysis of customer's track record and creditworthiness involving analysis of quantitative and qualitative factors (i.e. financial ratios, business plan, cash flow analysis, facts of refinancing and reorganization of commitments, industry and competitive factors etc.) is performed, stricter procedures apply for lending to non-resident customers (involving country risk and credit rating assessment). For granting loans to private customers, typically borrower's track record, information on payment history from credit bureaus and other external sources, estimated financial status (scoring) are analyzed. Approval procedures and limits assure that risk exposures are taken after proper considerations at appropriate management level.

Measuring the ability of current borrowers to meet their obligations includes reviewing borrower's payment record (breaches are reported instantly; procedures set actions to be made in case the payment is past due for certain number of days) reviewing customer's internal risk rating (performed at least quarterly), and changing lending limits or taking other actions when appropriate.

See Note 33 (d) for the analysis of credit quality by internal risk classification and Note 33 (e) for the information on payment delays.

Impairment of the loans and lease receivables
Impairment testing of the loans and lease receivables is performed monthly. Impairment-testing procedures are based on IAS 39 and regulations of the central bank. Testing for the impairment involves determining whether objective evidence of impairment exists by analysis of certain criteria, main of which are:

- delinquency in contractual payments of principal or interest;
- breach of loan covenants or conditions;
- deterioration of the borrower's financial status as reflected by internal or external ratings;
- deterioration in the value of collateral;
- granting a concession that would otherwise not be considered to a borrower because of its financial difficulties.
- it is becoming probable that the borrower would enter into bankruptcy or other financial reorganization;
- other objective evidence for loan impairment exists as prescribed in the Group's/Bank's procedures.

If objective evidence that an impairment on loans has been incurred exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

See Note 33 (f) for the quantitative information on the impairment of Group's/Bank's assets.

Credit risk mitigation

In granting loans, the policy of the Group/Bank is to obtain as much collateral as possible. Bank seeks to obtain higher category collateral (for instance, credit insurance, securities traded in the market, guarantees from state guarantee companies, LOCs from highly-rated banks, real estate, non-traded securities, pledge of future cash flows, guarantees from private companies or individuals), but in addition to that, seeks to obtain any type of collateral despite higher category collateral is sufficient. With the exception of land and financial assets, the Bank requires collateral to be insured during the term of the loan agreement. In case collateral is insufficient, credit approval must be made at high approval levels (typically, not less than Bank's credit committee) only after careful considerations. The Group/Bank seeks to obtain a collateral even if other methods of collecting the debt in case of non-payment are more efficient and foreclosure of the collateral is not likely to be used. Procedures for certain lending products (i.e. credit card loans, consumer loans) do not have requirement to obtain collateral, but the risk is managed by scoring system and limiting maximum product amounts per customer.

Data on the fair value of collateralized property is typically updated not less than every two years, in case of significant changes in the value of the collateral – more often. In determining the value of the collateralized property, the Group/Bank typically uses the valuations of independent certified appraisers with which the Group/Bank has cooperation agreements signed. Cooperation agreements include the obligations and responsibilities of the appraisers. Civil liability of the appraisers is insured with insurance companies. The appraisal reports of larger value properties are additionally approved by Group's/Bank's own appraisers, which also have certificates.

Typically, no collateral is obtained for placements in banks, securities and other financial assets, however, some exposures in higher-risk banks are secured by customer's funds on corresponding deposit accounts.

See Note 33 (g) for the quantitative information on the collateral obtained.

Recovery of problem and written-off loans

Typically, problem and written-off loans are transferred to a special division of the Bank, which carries out the recovery of loans, foreclosure and sale of pledged assets. In certain cases (for instance, leasing exposures), cooperation with external credit recovery agencies is used to recover the loans.

b) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group			The Bank	
31.12.2009	**31.12.2008 as restated (Note 5)**		**31.12.2009**	**31.12.2008 as restated (Note 5)**
		Assets		
338,070	144,216	Funds with central banks	338,070	144,216
677,968	102,018	Loans and advances to banks and other credit institutions	670,326	99,100
42,989	45,250	Financial assets at fair value through profit or loss	11,102	26,511
2,420,504	3,072,210	Loans and finance lease receivable:	2,271,821	3,342,277
1,057,130	*1,643,004*	*loans to and finance lease receivable from SMEs*	*1,032,745*	*1,540,030*
826,120	*733,727*	*loans to and finance lease receivable from other enterprises*	*820,689*	*720,216*
185,950	*192,322*	*loans to and finance lease receivable from financial institutions*	*230,545*	*829,773*
351,304	*503,157*	*loans to and finance lease receivable from individuals*	*187,842*	*252,258*
311,835	425,884	Investment securities:	503,168	422,493
43,339	*50,676*	*available-for-sale*	*42,935*	*50,482*
268,496	*375,208*	*held to maturity*	*460,233*	*372,011*
83,154	65,327	Other assets	59,295	57,480
3,874,520	**3,854,905**	**Total**	**3,853,782**	**4,092,077**
		Contingent liabilities and commitments		
47,702	33,072	Guarantees and warranties	47,702	33,072
4,015	981	Commitments to issue letters of credit	4,015	981
118,587	169,748	Irrevocable lending commitments	63,454	96,847
170,304	**203,801**	**Total**	**115,171**	**130,900**
4,044,824	**4,058,706**	**Total credit risk exposure**	**3,968,953**	**4,222,977**

c) Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client/counterparty, by industry sector and by geographical region.

The maximum Group's credit exposure to any client or counterparty as of 31 December 2009 was LTL 122 million or 23% of the capital base (31 December 2008: LTL 116 million, or 22% of the capital base) before taking into account of collateral or other credit enhancements.

As of 31 December 2009 and during the year the Group and the Bank complied with the maximum loan to one customer requirement established by Bank of Lithuania, according to which the total amount of loans granted to one customer and the customer's related parties may not exceed 25% of the Group's and the Bank's capital (Note 38).

As of 31 December 2009 and during the year the Group and the Bank complied with the large loans requirement established by Bank of Lithuania, according to which the total amounts of loans granted to one customers and the customer's related parties that exceed 10% of the Group's and the Bank's capital may not exceed 800% of the Group's and the Bank's capital (Note 38).

An industry sector analysis of the Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements is as follows:

The Group as of 31 December 2009:

	Telecom-munication services	Financials	Industrials	Informa-tion Techno-logy	Materials	Energy	Consumer Staples	Consumer Discre-tionary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	338,070	-	338,070
Loans and advances to banks and other credit institutions	-	677,968	-	-	-	-	-	-	-	-	-	-	677,968
Financial assets at fair value through profit or loss	-	33,372	224	-	188	-	-	-	-	-	9,205	-	42,989
Loans and finance lease receivable	841	1,307,219	187,204	254	31,148	15,046	98,607	443,098	6,402	9,233	13,030	308,422	2,420,504
Investment securities:													
available-for-sale	*-*	*42,250*	*-*	*-*	*17*	*-*	*-*	*-*	*-*	*-*	*1,072*	*-*	*43,339*
held-to-maturity	*27,397*	*135,211*	*7,859*	*-*	*10,608*	*11,030*	*2,004*	*7,707*	*1,722*	*11,769*	*53,189*	*-*	*268,496*
Other assets	-	-	-	-	-	-	-	-	-	-	-	83,154	83,154
Total	**28,238**	**2,196,020**	**195,287**	**254**	**41,961**	**26,076**	**100,611**	**450,805**	**8,124**	**21,002**	**414,566**	**391,576**	**3,874,520**

As of 31 December 2009, the Group's loans to real estate and construction sectors amounted to LTL'000 1,177,897. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector "Financials" and "Consumer Discretionary", respectively in the above presented table.

The Group as of 31 December 2008 (as restated (Note 5)):

	Telecom-munication services	**Financials**	**Industrials**	**Informa-tion Techno-logy**	**Materials**	**Energy**	**Consumer Staples**	**Consumer Discre-tionary**	**Health Care**	**Utilities**	**Govern-ment**	**Other**	**Total**
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other credit institutions	-	102,018	-	-	-	-	-	-	-	-	-	-	102,018
Financial assets at fair value through profit or loss	-	22,046	157	-	93	-	546	651	-	-	5,986	15,771	45,250
Loans and finance lease receivable	1,109	1,424,287	283,983	343	149,816	47,672	158,190	526,913	3,954	11,895	18,970	445,078	3,072,210
Investment securities:													
available-for-sale	*-*	*50,653*	*-*	*-*	*10*	*13*	*-*	*-*	*-*	*-*	*-*	*-*	*50,676*
held-to-maturity	*33,134*	*196,986*	*9,619*	*2,560*	*19,403*	*14,421*	*5,375*	*12,050*	*1,706*	*16,180*	*63,774*	*-*	*375,208*
Other assets	-	-	-	-	-	-	-	-	-	-	-	65,327	65,327
Total	**34,243**	**1,795,990**	**293,759**	**2,903**	**169,322**	**62,106**	**164,111**	**539,614**	**5,660**	**28,075**	**232,946**	**526,176**	**3,854,905**

As of 31 December 2008, the Group‘s loans to real estate and construction sectors amounted to LTL‘000 1,170,260. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector "Financials" and "Consumer Discretionary", respectively in the above presented table.

The Bank as of 31 December 2009:

	Telecom-munication services	Financials	Industrials	Informa-tion Technology	Materials	Energy	Consumer Staples	Consumer Discretio-nary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	338,070	-	338,070
Loans and advances to banks and other credit institutions	-	670,326	-	-	-	-	-	-	-	-	-	-	670,326
Financial assets at fair value through profit or loss	-	10,914	-	-	188	-	-	-	-	-	-	-	11,102
Loans and finance lease receivable	-	1,396,784	154,515	-	24,888	14,577	92,375	415,394	6,370	8,928	13,030	144,960	2,271,821
Investment securities:													
available-for-sale	*-*	*41,863*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*1,072*	*-*	*42,935*
held-to-maturity	*27,397*	*327,379*	*7,859*	*-*	*10,608*	*11,030*	*2,004*	*7,707*	*1,722*	*11,769*	*52,758*	*-*	*460,233*
Other assets	-	-	-	-	-	-	-	-	-	-	-	59,295	59,295
Total	**27,397**	**2,447,266**	**162,374**	**-**	**35,684**	**25,607**	**94,379**	**423,101**	**8,092**	**20,697**	**404,930**	**204,255**	**3,853,782**

As of 31 December 2009, the Bank's loans to real estate and construction sectors amounted to LTL'000 1,209,226. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector „Financials" and „Consumer Discretionary" respectively in the above presented table.

The Bank as of 31 December 2008 (as restated (Note 5)):

	Telecom-munication services	Financials	Industrials	Informa-tion Technology	Materials	Energy	Consumer Staples	Consumer Discretio-nary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other credit institutions	-	99,100	-	-	-	-	-	-	-	-	-	-	99,100
Financial assets at fair value through profit or loss	-	10,647	-	-	93	-	-	-	-	-	-	15,771	26,511
Loans and finance lease receivable	-	2,046,232	246,434	-	142,869	47,107	146,760	484,113	3,913	11,699	18,970	194,180	3,342,277
Investment securities:													
available-for-sale	*-*	*50,482*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*50,482*
held-to-maturity	*33,134*	*194,178*	*9,619*	*2,560*	*19,403*	*14,421*	*5,325*	*11,998*	*1,706*	*16,180*	*63,487*	*-*	*372,011*
Other assets	-	-	-	-	-	-	-	-	-	-	-	57,480	57,480
Total	**33,134**	**2,400,639**	**256,053**	**2,560**	**162,365**	**61,528**	**152,085**	**496,111**	**5,619**	**27,879**	**226,673**	**267,431**	**4,092,077**

As of 31 December 2008, the Bank's loans to real estate and construction sectors amounted to LTL'000 1,146,369. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector "Financials" and "Consumer Discretionary" respectively in the above presented table.

The analysis of the Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements by geographical region is as follows:

As of 31 December 2009:

	The Group			The Bank		
	Higher rated countries	Lower rated countries	Total	Higher rated countries	Lower rated countries	Total
Assets						
Funds with central banks	338,070	-	**338,070**	338,070	-	**338,070**
Loans and advances to banks and other credit institutions	660,292	17,676	**677,968**	652,802	17,524	**670,326**
Financial assets at fair value through profit or loss	42,669	320	**42,989**	10,914	188	**11,102**
Loans and finance lease receivable	2,215,268	205,236	**2,420,504**	2,092,643	179,178	**2,271,821**
Investment securities:	226,216	85,619	**311,835**	417,934	85,234	**503,168**
available-for-sale	*36,534*	*6,805*	***43,339***	*36,130*	*6,805*	***42,935***
held-to-maturity	*189,682*	*78,814*	***268,496***	*381,804*	*78,429*	***460,233***
Other assets	76,534	6,620	**83,154**	59,290	5	**59,295**
Total	**3,559,049**	**315,471**	**3,874,520**	**3,571,653**	**282,129**	**3,853,782**

As of 31 December 2008 (as restated (Note 5)):

	The Group			The Bank		
	Higher rated countries	Lower rated countries	Total	Higher rated countries	Lower rated countries	Total
Assets						
Funds with central banks	144,216	-	**144,216**	144,216	-	**144,216**
Loans and advances to banks and other credit institutions	86,983	15,035	**102,018**	84,407	14,693	**99,100**
Financial assets at fair value through profit or loss	45,157	93	**45,250**	26,418	93	**26,511**
Loans and finance lease receivable	2,883,608	188,602	**3,072,210**	3,154,135	188,142	**3,342,277**
Investment securities:	274,854	151,030	**425,884**	271,750	150,743	**422,493**
available-for-sale	*47,503*	*3,173*	***50,676***	*47,309*	*3,173*	***50,482***
held-to-maturity	*227,351*	*147,857*	***375,208***	*224,441*	*147,570*	***372,011***
Other assets	63,540	1,787	**65,327**	55,886	1,594	**57,480**
Total	**3,498,358**	**356,547**	**3,854,905**	**3,736,812**	**355,265**	**4,092,077**

Higher rated countries include countries belonging to the European Union and/or countries that have credit ratings ranging from AAA/Aaa to A-/A3, lower rated countries include countries not belonging to the European Union that have lower ratings.

As of 31 December 2009, largest single country concentrations of Group's financial assets without taking into account any collateral held or other credit enhancements were in Lithuania – 63.7%, USA – 7.7%, Germany – 4.3% (as of 31 December 2008: Lithuania – 74.1%, USA – 7.2%).

d) Credit quality of financial assets

The credit quality of financial assets of the Group and the Bank is managed by using internal credit ratings. Exposures are rated to 5 internal risk grades. Grade 1 represents best credit quality and Grade 5 represents the worst credit quality.

For the counterparties that have external credit ratings, internal ratings are assigned based on the following principles: Grade 1 is assigned to counterparties that have a long-term credit rating of at least A-/A3; Grade 2 is assigned to counterparties that have a credit rating ranging from BBB+/Baa1 to BBB-/Baa3; Grade 3 is assigned to counterparties that have a credit rating ranging from BB+/Ba1 to B-/B3. For the banks or foreign bank branches registered in Lithuania, internal rating higher by one grade to that which would result from the before mentioned principle, is assigned.

As of 31 December 2009 the Group's financial assets by internal credit ratings were as follows.

The Group	**Neither past due nor individually impaired**					**Past due or indivi-dually impaired**	
	Grade 1	**Grade 2**	**Grade 3**	**Grade 4**	**Grade 5**		**Total**
Funds with central banks	338,070	-	-	-	-	-	338,070
Loans and advances to banks and other credit institutions	529,260	126,050	15,582	7,075	-	1	677,968
Financial assets at fair value through profit or loss	7,907	32,782	1,105	1,195	-	-	42,989
Loans and finance lease receivable:	177,488	452,120	667,132	272,107	6,938	844,719	2,420,504
loans to SMEs	*4,337*	*76,969*	*396,098*	*207,075*	*5,712*	*366,939*	*1,057,130*
loans to other enterprises	*18,892*	*184,146*	*181,591*	*56,454*	-	*385,037*	*826,120*
loans to financial institutions	-	*105,128*	*80,822*	-	-	-	*185,950*
loans to individuals	*154,259*	*85,877*	*8,621*	*8,578*	*1,226*	*92,743*	*351,304*
Investment securities:	116,113	103,171	65,480	27,071	-	-	311,835
available-for-sale	*9,044*	*19,628*	*5,350*	*9,317*	-	-	*43,339*
held-to-maturity	*107,069*	*83,543*	*60,130*	*17,754*	-	-	*268,496*
Other assets	1,050	55,101	26,995	-	-	8	83,154
Total	**1,169,888**	**769,224**	**776,294**	**307,448**	**6,938**	**844,728**	**3,874,520**

As of 31 December 2008 (as restated (Note 5)) the Group's financial assets by internal credit ratings were as follows.

The Group	**Neither past due nor individually impaired**					**Past due or individually impaired**	**Total**
	Grade 1	**Grade 2**	**Grade 3**	**Grade 4**	**Grade 5**		
Funds with central banks	144,216	-	-	-	-	-	144,216
Loans and advances to banks and other credit institutions	65,207	21,086	14,473	1,252	-	-	102,018
Financial assets at fair value through profit or loss	5,986	38,480	157	627	-	-	45,250
Loans and finance lease receivable:	292,798	602,473	1,384,481	385,067	4,710	402,681	3,072,210
loans to SMEs	*15,225*	*266,911*	*721,234*	*378,907*	*4,117*	*256,610*	*1,643,004*
loans to other enterprises	*17,174*	*93,868*	*548,977*	*4,601*	*-*	*69,107*	*733,727*
loans to financial institutions	*-*	*82,114*	*110,187*	*-*	*-*	*21*	*192,322*
loans to individuals	*260,399*	*159,580*	*4,083*	*1,559*	*593*	*76,943*	*503,157*
Investment securities:	202,041	94,153	129,690	-	-	-	425,884
available-for-sale	*27,488*	*8,515*	*14,673*	*-*	*-*	*-*	*50,676*
held-to-maturity	*174,553*	*85,638*	*115,017*	*-*	*-*	*-*	*375,208*
Other assets	2,373	29,822	33,053	-	-	79	65,327
Total	**712,621**	**786,014**	**1,561,854**	**386,946**	**4,710**	**402,760**	**3,854,905**

As of 31 December 2009 the Bank's financial assets by internal credit ratings were as follows.

The Bank	**Neither past due nor individually impaired**					**Past due or individually impaired**	**Total**
	Grade 1	**Grade 2**	**Grade 3**	**Grade 4**	**Grade 5**		
Funds with central banks	338,070	-	-	-	-	-	338,070
Loans and advances to banks and other credit institutions	525,308	122,360	15,582	7,075	-	1	670,326
Financial assets at fair value through profit or loss	-	10,522	-	580	-	-	11,102
Loans and finance lease receivable:	44,389	437,724	700,579	321,667	5,168	762,294	2,271,821
loans to SMEs	*1,184*	*65,376*	*384,726*	*257,735*	*3,942*	*319,782*	*1,032,745*
loans to other enterprises	*18,892*	*181,473*	*181,815*	*56,454*	*-*	*382,055*	*820,689*
loans to financial institutions	*-*	*105,128*	*125,417*	*-*	*-*	*-*	*230,545*
loans to individuals	*24,313*	*85,747*	*8,621*	*7,478*	*1,226*	*60,457*	*187,842*
Investment securities:	115,961	295,154	65,371	26,682	-	-	503,168
available-for-sale	*9,044*	*19,224*	*5,350*	*9,317*	*-*	*-*	*42,935*
held-to-maturity	*106,917*	*275,930*	*60,021*	*17,365*	*-*	*-*	*460,233*
Other assets	1,050	31,242	26,995	-	-	8	59,295
Total	**1,024,778**	**897,002**	**808,527**	**356,004**	**5,168**	**762,303**	**3,853,782**

As of 31 December 2008 (as restated (Note 5)) the Bank's financial assets by internal credit ratings were as follows.

The Bank	Neither past due nor individually impaired					Past due or individually impaired	
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		Total
Funds with central banks	144,216	-	-	-	-	-	144,216
Loans and advances to banks and other credit institutions	64,810	18,565	14,473	1,252	-	-	99,100
Financial assets at fair value through profit or loss	-	25,884	-	627	-	-	26,511
Loans and finance lease receivable:	71,142	848,104	1,667,061	383,343	4,710	367,917	3,342,277
loans to SMEs	*14,383*	*237,999*	*703,834*	*377,183*	*4,117*	*202,514*	*1,540,030*
loans to other enterprises	*16,369*	*88,068*	*545,621*	*4,601*	-	*65,557*	*720,216*
loans to financial institutions	-	*362,918*	*413,523*	-	-	*53,332*	*829,773*
loans to individuals	*40,390*	*159,119*	*4,083*	*1,559*	*593*	*46,514*	*252,258*
Investment securities:	201,060	91,969	129,464	-	-	-	422,493
available-for-sale	*27,488*	*8,334*	*14,660*	-	-	-	*50,482*
held-to-maturity	*173,572*	*83,635*	*114,804*	-	-	-	*372,011*
Other assets	2,373	21,975	33,053	-	-	79	57,480
Total	**483,601**	**1,006,497**	**1,844,051**	**385,222**	**4,710**	**367,996**	**4,092,077**

e) Aging analysis of financial assets

As of 31 December 2009 the Group's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						
		<= 30 days	31-60 days	61 days – 1 year	Over 1 year	Total	not past due	<=30 days	31-60 days	61 days – 1 year	Over 1 year	Total	TOTAL
Funds with central banks	338,070	-	-	-	-	-	-	-	-	-	-	-	338,070
Loans and advances to banks and other credit institutions	677,967	-	-	-	-	-	1	-	-	-	-	1	677,968
Financial assets at fair value through profit or loss	42,989	-	-	-	-	-	-	-	-	-	-	-	42,989
Loans and finance lease receivable	1,575,785	33,519	10,315	64,008	22,572	130,414	509,650	1,487	9,829	157,250	36,089	714,305	2,420,504
loans to SMEs	*690,191*	*15,667*	*5,592*	*42,111*	*11,702*	*75,072*	*139,069*	*324*	*635*	*120,368*	*31,471*	*291,867*	*1,057,130*
loans to other enterprises	*441,084*	*3,319*	*93*	*1,083*	*42*	*4,537*	*367,332*	*452*	*585*	*12,130*	-	*380,499*	*826,120*
loans to financial institutions	*185,950*	-	-	-	-	-	-	-	-	-	-	-	*185,950*
loans to individuals	*258,560*	*14,533*	*4,630*	*20,814*	*10,828*	*50,805*	*3,249*	*711*	*8,609*	*24,752*	*4,618*	*41,939*	*351,304*
Investment securities:	311,835	-	-	-	-	-	-	-	-	-	-	-	311,835
available-for-sale	*43,339*	-	-	-	-	-	-	-	-	-	-	-	*43,339*
held-to-maturity	*268,496*	-	-	-	-	-	-	-	-	-	-	-	*268,496*
Other assets	83,146	-	-	-	-	-	-	-	-	8	-	8	83,154
Total	**3,029,792**	**33,519**	**10,315**	**64,008**	**22,572**	**130,414**	**509,651**	**1,487**	**9,829**	**157,258**	**36,089**	**714,314**	**3,874,520**

As of 31 December 2008 (as restated (Note 5)) the Group's financial assets by aging intervals were:

	Neither past due nor individually impaired	**Past due but not individually impaired**					**Individually impaired**						
		<= 30 days	**31-60 days**	**61 days – 1 year**	**Over 1 year**	**Total**	**not past due**	**<=30 days**	**31-60 days**	**61 days – 1 year**	**Over 1 year**	**Total**	**TOTAL**
Funds with central banks	144,216	-	-	-	-	-	-	-	-	-	-	-	144,216
Loans and advances to banks and other credit institutions	102,018	-	-	-	-	-	-	-	-	-	-	-	102,018
Financial assets at fair value through profit or loss	45,250	-	-	-	-	-	-	-	-	-	-	-	45,250
Loans and finance lease receivable	2,669,529	86,229	23,877	31,482	634	142,222	167,212	15,199	30,464	44,103	3,481	260,459	3,072,210
loans to SMEs	*1,386,394*	*50,348*	*16,411*	*20,911*	*634*	*88,304*	*105,931*	*12,225*	*14,236*	*33,451*	*2,463*	*168,306*	*1,643,004*
loans to other enterprises	*664,620*	*12,434*	*3,026*	*250*	-	*15,710*	*51,672*	*3*	*513*	*1,209*	-	*53,397*	*733,727*
loans to financial institutions	*192,301*	-	-	-	-	-	*12*	*9*	-	-	-	*21*	*192,322*
loans to individuals	*426,214*	*23,447*	*4,440*	*10,321*	-	*38,208*	*9,597*	*2,962*	*15,715*	*9,443*	*1,018*	*38,735*	*503,157*
Investment securities:	425,884	-	-	-	-	-	-	-	-	-	-	-	425,884
available-for-sale	*50,676*	-	-	-	-	-	-	-	-	-	-	-	*50,676*
held-to-maturity	*375,208*	-	-	-	-	-	-	-	-	-	-	-	*375,208*
Other assets	65,248	77	-	-	-	77	2	-	-	-	-	2	65,327
Total	**3,452,145**	**86,306**	**23,877**	**31,482**	**634**	**142,299**	**167,214**	**15,199**	**30,464**	**44,103**	**3,481**	**260,461**	**3,854,905**

As of 31 December 2009 the Bank's financial assets by aging intervals were:

	Neither past due nor individually impaired	**Past due but not individually impaired**					**Individually impaired**						
		<= 30 days	**31-60 days**	**61 days – 1 year**	**Over 1 year**	**Total**	**Not past due**	**<=30 days**	**31-60 days**	**61 days – 1 year**	**Over 1 year**	**Total**	**TOTAL**
Funds with central banks	338,070	-	-	-	-	-	-	-	-	-	-	-	338,070
Loans and advances to banks and other credit institutions	670,325	-	-	-	-	-	1	-	-	-	-	1	670,326
Financial assets at fair value through profit or loss	11,102	-	-	-	-	-	-	-	-	-	-	-	11,102
Loans and finance lease receivable	1,509,527	13,718	5,725	44,757	22,404	86,604	508,197	628	1,597	130,259	35,009	675,690	2,271,821
loans to SMEs	*712,963*	*3,381*	*3,419*	*26,560*	*11,700*	*45,060*	*138,168*	*19*	*281*	*104,868*	*31,386*	*274,722*	*1,032,745*
loans to other enterprises	*438,634*	*3,319*	-	*267*	*42*	*3,628*	*367,332*	-	-	*11,095*	-	*378,427*	*820,689*
loans to financial institutions	*230,545*	-	-	-	-	-	-	-	-	-	-	-	*230,545*
loans to individuals	*127,385*	*7,018*	*2,306*	*17,930*	*10,662*	*37,916*	*2,697*	*609*	*1,316*	*14,296*	*3,623*	*22,541*	*187,842*
Investment securities:	503,168	-	-	-	-	-	-	-	-	-	-	-	503,168
available-for-sale	*42,935*	-	-	-	-	-	-	-	-	-	-	-	*42,935*
held-to-maturity	*460,233*	-	-	-	-	-	-	-	-	-	-	-	*460,233*
Other assets	59,287	-	-	-	-	-	-	-	-	8	-	8	59,295
Total	**3,091,479**	**13,718**	**5,725**	**44,757**	**22,404**	**86,604**	**508,198**	**628**	**1,597**	**130,267**	**35,009**	**675,699**	**3,853,782**

As of 31 December 2008 (as restated (Note 5)) the Bank's financial assets by aging intervals were:

	Neither past due nor individually impaired	**Past due but not individually impaired**					**Individually impaired**						
		<= 30 days	**31-60 days**	**61 days – 1 year**	**Over 1 year**	**Total**	**Not past due**	**<=30 days**	**31-60 days**	**61 days – 1 year**	**Over 1 year**	**Total**	**TOTAL**
Funds with central banks	144,216	-	-	-	-	-	-	-	-	-	-	-	144,216
Loans and advances to banks and other credit institutions	99,100	-	-	-	-	-	-	-	-	-	-	-	99,100
Financial assets at fair value through profit or loss	26,511	-	-	-	-	-	-	-	-	-	-	-	26,511
Loans and finance lease receivable	2,974,360	53,133	18,283	25,133	634	97,183	220,523	6,105	15,356	25,269	3,481	270,734	3,342,277
loans to SMEs	*1,337,516*	*30,788*	*11,964*	*14,562*	*634*	*57,948*	*105,930*	*4,781*	*8,576*	*22,816*	*2,463*	*144,566*	*1,540,030*
loans to other enterprises	*654,659*	*11,499*	*2,136*	*250*	-	*13,885*	*51,672*	-	-	-	-	*51,672*	*720,216*
loans to financial institutions	*776,441*	-	-	-	-	-	*53,323*	*9*	-	-	-	*53,332*	*829,773*
loans to individuals	*205,744*	*10,846*	*4,183*	*10,321*		*25,350*	*9,598*	*1,315*	*6,780*	*2,453*	*1,018*	*21,164*	*252,258*
Investment securities:	422,493	-	-	-	-	-	-	-	-	-	-	-	422,493
available-for-sale	*50,482*	-	-	-	-	-	-	-	-	-	-	-	*50,482*
held-to-maturity	*372,011*	-	-	-	-	-	-	-	-	-	-	-	*372,011*
Other assets	57,401	77	-	-	-	77	2	-	-	-	-	2	57,480
Total	**3,724,081**	**53,210**	**18,283**	**25,133**	**634**	**97,260**	**220,525**	**6,105**	**15,356**	**25,269**	**3,481**	**270,736**	**4,092,077**

f) Impairment of financial assets

As of 31 December 2009, amounts of provisions for the impairment of the assets per class of financial assets were as follows:

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	338,070	-	338,070	338,070	-	338,070
Loans and advances to banks and other credit institutions	677,969	(1)	677,968	670,327	(1)	670,326
Financial assets at fair value through profit or loss	42,989	-	42,989	11,102	-	11,102
Loans and finance lease receivable:	2,625,622	(205,118)	2,420,504	2,448,381	(176,560)	2,271,821
loans to SMEs	*1,184,265*	*(127,135)*	*1,057,130*	*1,152,249*	*(119,504)*	*1,032,745*
loans to other enterprises	*861,040*	*(34,920)*	*826,120*	*854,116*	*(33,427)*	*820,689*
loans to financial institutions	*185,950*	*-*	*185,950*	*230,545*	*-*	*230,545*
loans to individuals	*394,367*	*(43,063)*	*351,304*	*211,471*	*(23,629)*	*187,842*
Investment securities:	311,835	-	311,835	503,168	-	503,168
available-for-sale	*43,339*	*-*	*43,339*	*42,935*	*-*	*42,935*
held-to-maturity	*268,496*	*-*	*268,496*	*460,233*	*-*	*460,233*
Other assets	83,658	(504)	83,154	59,796	(501)	59,295
Total	**4,080,143**	**(205,623)**	**3,874,520**	**4,030,844**	**(177,062)**	**3,853,782**

As of 31 December 2008 (as restated (Note 5)), amounts of provisions for the impairment of the assets per class of financial assets were as follows:

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	144,216	-	144,216	144,216	-	144,216
Loans and advances to banks and other credit institutions	102,018	-	102,018	99,100	-	99,100
Financial assets at fair value through profit or loss	45,250	-	45,250	26,511	-	26,511
Loans and finance lease receivable:	3,172,842	(100,632)	3,072,210	3,429,456	(87,179)	3,342,277
loans to SMEs	*1,707,416*	*(64,412)*	*1,643,004*	*1,597,899*	*(57,869)*	*1,540,030*
loans to other enterprises	*748,242*	*(14,515)*	*733,727*	*733,879*	*(13,663)*	*720,216*
loans to financial institutions	*192,322*	*-*	*192,322*	*835,612*	*(5,839)*	*829,773*
loans to individuals	*524,862*	*(21,705)*	*503,157*	*262,066*	*(9,808)*	*252,258*
Investment securities:	425,884	-	425,884	422,493	-	422,493
available-for-sale	*50,676*	*-*	*50,676*	*50,482*	*-*	*50,482*
held-to-maturity	*375,208*	*-*	*375,208*	*372,011*	*-*	*372,011*
Other assets	65,739	(412)	65,327	57,892	(412)	57,480
Total	**3,955,949**	**(101,044)**	**3,854,905**	**4,179,668**	**(87,591)**	**4,092,077**

Movements in the provision for impairment losses on Group's financial assets for the period are as follows:

The Group	Loans and advances to banks and other credit institutions	Loans and finance lease receivable: Loans to financial institutions	Loans to SMEs	Loans to other enterprises	Loans to individuals	Total	Other assets	Total
As of 1 January 2008	-	**-**	**15,528**	**39,720**	**10,291**	**65,539**	**3,036**	**68,575**
Reversal of provisions	-	-	(43,556)	(41,768)	(4,419)	(89,743)	(682)	(90,425)
Provisions written-off	-	-	(45)	-	(4,974)	(5,019)	(112)	(5,131)
Currency exchange rate effect	-	-	(2,456)	(893)	(407)	(3,756)	(23)	(3,779)
Provision charged	-	-	94,941	17,456	21,214	133,611	420	134,031
Change in provisions attributable to discontinued operations	-	-	-	-	-	-	(2,227)	(2,227)
As of 31 December 2008	-	**-**	**64,412**	**14,515**	**21,705**	**100,632**	**412**	**101,044**
Reversal of provisions	(64)	-	(74,924)	(32,215)	(14,319)	(121,458)	(340)	(121,862)
Provisions written-off	(87)	-	(73)	(56)	(8,474)	(8,603)	(41)	(8,731)
Currency exchange rate effect	-	-	(539)	(95)	(64)	(698)	-	(698)
Provision charged	152	-	138,259	52,771	44,215	235,245	473	235,870
As of 31 December 2009	**1**	**-**	**127,135**	**34,920**	**43,063**	**205,118**	**504**	**205,623**

The Bank	Loans and advances to banks and other credit institutions	Loans and finance lease receivable: Loans to financial institutions	Loans to SMEs	Loans to other enterprises	Loans to individuals	Total	Other assets	Total
As of 1 January 2008	-	**-**	**15,468**	**39,720**	**1,612**	**56,800**	**809**	**57,609**
Reversal of provisions	-	-	(43,556)	(41,768)	(4,419)	(89,743)	(682)	(90,425)
Provisions written-off	-	-	(1)	-	(14)	(15)	(112)	(127)
Currency exchange rate effect	-	-	(667)	(545)	4	(1,208)	(23)	(1,231)
Provision charged	-	5,839	86,625	16,256	12,625	121,345	420	121,765
As of 31 December 2008	**-**	**5,839**	**57,869**	**13,663**	**9,808**	**87,179**	**412**	**87,591**
Reversal of provisions	(64)	(6,154)	(74,924)	(32,215)	(14,319)	(127,612)	(340)	(128,016)
Provisions written-off	(87)	-	(2)	(1)	(8)	(11)	(41)	(139)
Currency exchange rate effect	-	315	(263)	-	(1)	51	-	51
Provision charged	152	-	136,824	51,980	28,149	216,953	470	217,575
As of 31 December 2009	**1**	**-**	**119,504**	**33,427**	**23,629**	**176,560**	**501**	**177,062**

Movements in the provision for off-balance sheet items for the period are as follows:

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Provisions for off-balance sheet items:		
-	-	Balance as of 1 January	-	-
-	(5,483)	Reversal of provisions	-	(5,483)
(10)	533	Currency exchange effect	(10)	533
138	4,950	Provisions charged	138	4,950
128	**-**	**Balance as of 31 December**	**128**	**-**

Impairment charge for credit losses reconciles to the income statement as follows:

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
235,870	134,031	Provisions charged for balance sheet items	217,575	121,765
(121,862)	(90,425)	Provisions reversed for balance sheet items	(128,016)	(90,425)
138	4,950	Provisions charged for off-balance sheet items	138	4,950
-	(5,483)	Provisions reversed for off-balance sheet items	-	(5,483)
114,146	**43,073**	**Provisions charged to profit or loss**	**89,697**	**30,807**

g) Collateral and other credit enhancements

The Group as of 31 December 2009:

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	338,070	-	338,070	-	-	-	-	-	-	338,070	-	338,070
Loans and advances to banks and other credit institutions	677,967	1,109	676,858	-	-	-	1	-	1	677,968	1,109	676,859
Financial assets at fair value through profit or loss	42,989	-	42,989	-	-	-	-	-	-	42,989	-	42,989
Loans and finance lease receivable:	1,575,785	1,081,466	494,319	130,414	122,053	8,361	714,305	694,710	19,595	2,420,504	1,898,229	522,275
loans to SMEs	*690,191*	*531,260*	*158,931*	*75,072*	*75,042*	*30*	*291,867*	*291,275*	*592*	*1,057,130*	*897,577*	*159,553*
loans to other enterprises	*441,084*	*330,251*	*110,833*	*4,537*	*4,133*	*404*	*380,499*	*380,483*	*16*	*826,120*	*714,867*	*111,253*
loans to financial institutions	*185,950*	*95,407*	*90,543*	-	-	-	-	-	-	*185,950*	*95,407*	*90,543*
loans to individuals	*258,560*	*124,548*	*134,012*	*50,805*	*42,878*	*7,927*	*41,939*	*22,952*	*18,987*	*351,304*	*190,378*	*160,926*
Investment securities:	311,835	-	311,835	-	-	-	-	-	-	311,835	-	311,835
available-for-sale	*43,339*	-	*43,339*	-	-	-	-	-	-	*43,339*	-	*43,339*
held-to-maturity	*268,496*	-	*268,496*	-	-	-	-	-	-	*268,496*	-	*268,496*
Other assets	83,146	-	83,146	-	-	-	8	-	8	83,154	-	83,154
Total	**3,029,792**	**1,082,575**	**1,947,217**	**130,414**	**122,053**	**8,361**	**714,314**	**694,710**	**19,604**	**3,874,520**	**1,899,338**	**1,975,182**

The Group as of 31 December 2008 (as restated (Note 5)):

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	144,216	-	144,216	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other credit institutions	102,018	2,640	99,378	-	-	-	-	-	-	102,018	2,640	99,378
Financial assets at fair value through profit or loss	45,250	-	45,250	-	-	-	-	-	-	45,250	-	45,250
Loans and finance lease receivable:	2,669,529	2,230,634	438,895	142,222	122,479	19,743	260,459	247,107	13,352	3,072,210	2,600,220	471,990
loans to SMEs	*1,386,394*	*1,286,952*	*99,442*	*88,304*	*85,984*	*2,320*	*168,306*	*166,972*	*1,334*	*1,643,004*	*1,539,908*	*103,096*
loans to other enterprises	*664,620*	*539,708*	*124,912*	*15,710*	*6,140*	*9,570*	*53,397*	*52,909*	*488*	*733,727*	*598,757*	*134,970*
loans to financial institutions	*192,301*	*171,124*	*21,177*	-	-	-	*21*	-	*21*	*192,322*	*171,124*	*21,198*
loans to individuals	*426,214*	*232,850*	*193,364*	*38,208*	*30,355*	*7,853*	*38,735*	*27,226*	*11,509*	*503,157*	*290,431*	*212,726*
Investment securities:	425,884	-	425,884	-	-	-	-	-	-	425,884	-	425,884
available-for-sale	*50,676*	-	*50,676*	-	-	-	-	-	-	*50,676*	-	*50,676*
held-to-maturity	*375,208*	-	*375,208*	-	-	-	-	-	-	*375,208*	-	*375,208*
Other assets	65,248	-	65,248	77	-	77	2	-	2	65,327	-	65,327
Total	**3,452,145**	**2,233,274**	**1,218,871**	**142,299**	**122,479**	**19,820**	**260,461**	**247,107**	**13,354**	**3,854,905**	**2,602,860**	**1,252,045**

The Bank as of 31 December 2009:

	Neither past due nor individually impaired			**Past due but not individually impaired**			**Individually impaired**			**Total**		
	Book value	**Fair value of the collateral**	**Book value less collateral**	**Book value**	**Fair value of the collateral**	**Book value less collateral**	**Book value**	**Fair value of the collateral**	**Book value less collateral**	**Book value**	**Fair value of the collateral**	**Book value less collateral**
Funds with central banks	338,070	-	338,070	-	-	-	-	-	-	338,070	-	338,070
Loans and advances to banks and other credit institutions	670,325	1,109	669,216	-	-	-	1	-	1	670,326	1,109	669,217
Financial assets at fair value through profit or loss	11,102	-	11,102	-	-	-	-	-	-	11,102	-	11,102
Loans and finance lease receivable:	1,509,527	1,062,573	446,954	86,604	81,931	4,673	675,690	672,236	3,454	2,271,821	1,816,740	455,081
loans to SMEs	*712,963*	*554,059*	*158,904*	*45,060*	*45,033*	*27*	*274,722*	*274,136*	*586*	*1,032,745*	*873,228*	*159,517*
loans to other enterprises	*438,634*	*325,530*	*113,104*	*3,628*	*3,224*	*404*	*378,427*	*378,411*	*16*	*820,689*	*707,165*	*113,524*
loans to financial institutions	*230,545*	*95,407*	*135,138*	-	-	-	-	-	-	*230,545*	*95,407*	*135,138*
loans to individuals	*127,385*	*87,577*	*39,808*	*37,916*	*33,674*	*4,242*	*22,541*	*19,689*	*2,852*	*187,842*	*140,940*	*46,902*
Investment securities:	503,168	-	503,168	-	-	-	-	-	-	503,168	-	503,168
available-for-sale	*42,935*	-	*42,935*	-	-	-	-	-	-	*42,935*	-	*42,935*
held-to-maturity	*460,233*	-	*460,233*	-	-	-	-	-	-	*460,233*	-	*460,233*
Other assets	59,287	-	59,287	-	-	-	8	-	8	59,295	-	59,295
Total	**3,091,479**	**1,063,682**	**2,027,797**	**86,604**	**81,931**	**4,673**	**675,699**	**672,236**	**3,463**	**3,853,782**	**1,817,849**	**2,035,933**

The Bank as of 31 December 2008 (as restated (Note 5)):

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	144,216	-	144,216	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other credit institutions	99,100	2,640	96,460	-	-	-	-	-	-	99,100	2,640	96,460
Financial assets at fair value through profit or loss	26,511	-	26,511	-	-	-	-	-	-	26,511	-	26,511
Loans and finance lease receivable:	2,974,360	2,069,075	905,285	97,183	79,891	17,292	270,734	212,895	57,839	3,342,277	2,361,861	980,416
loans to SMEs	*1,337,516*	*1,241,856*	*95,660*	*57,948*	*55,628*	*2,320*	*144,566*	*143,236*	*1,330*	*1,540,030*	*1,440,720*	*99,310*
loans to other enterprises	*654,659*	*529,747*	*124,912*	*13,885*	*4,315*	*9,570*	*51,672*	*51,183*	*489*	*720,216*	*585,245*	*134,971*
loans to financial institutions	*776,441*	*171,124*	*605,317*	-	-	-	*53,332*	-	*53,332*	*829,773*	*171,124*	*658,649*
loans to individuals	*205,744*	*126,348*	*79,396*	*25,350*	*19,948*	*5,402*	*21,164*	*18,476*	*2,688*	*252,258*	*164,772*	*87,486*
Investment securities:	422,493	-	422,493	-	-	-	-	-	-	422,493	-	422,493
available-for-sale	*50,482*	-	*50,482*	-	-	-	-	-	-	*50,482*	-	*50,482*
held-to-maturity	*372,011*	-	*372,011*	-	-	-	-	-	-	*372,011*	-	*372,011*
Other assets	57,401	-	57,401	77	-	77	2	-	2	57,480	-	57,480
Total	**3,724,081**	**2,071,715**	**1,652,366**	**97,260**	**79,891**	**17,369**	**270,736**	**212,895**	**57,841**	**4,092,077**	**2,364,501**	**1,727,576**

h) Financial assets which terms have been renegotiated

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is as follows:

The Group			The Bank	
31.12.2009	**31.12.2008**		**31.12.2009**	**31.12.2008**
-	-	Funds with central banks	-	-
-	-	Loans and advances to banks and other financial institutions	-	-
-	-	Financial assets at fair value through profit or loss	-	-
192,732	188,442	Loans and finance lease receivable:	192,732	191,093
71,999	*184,818*	*loans to SMEs*	*71,999*	*184,818*
114,952	*2,065*	*loans to other enterprises*	*114,952*	*2,065*
-	*-*	*loans to financial institutions*	*-*	*2,651*
5,781	*1,559*	*loans to individuals*	*5,781*	*1,559*
-	-	Investment securities:	-	-
-	-	*available for sale*	-	-
-	-	*held to maturity*	-	-
-	-	Other assets	-	-
192,732	**188,442**	**Total**	**192,732**	**191,093**

NOTE 34 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the Group/Bank will be unable to meet its financial liabilities and the risk of loss resulting from a sudden drop of available resources and increased price of funds used to replenish withdrawals. The Group/Bank manages liquidity risk by projecting daily and short-term (<1 year) cash flows and analyzing long-term cash flows. Liquidity risk is limited by setting and controlling limits. The Group/Bank has an internal liquidity risk limit system of liquidity limits and ratios which include limits and ratios that must be complied with on a daily basis and action plans in case of non-compliance with these limits and ratios. In addition, limits and ratios for targets are imposed i.e. the targets which should be met by the Group's/Bank's structural divisions.

In addition to internal liquidity limits and ratios, regulatory liquidity ratio of not less than 30% is imposed by the Bank of Lithuania. It has to be complied with daily (Note 38).

As of 31 December 2009 the Group's assets and liabilities by maturity were as follows:

	Up to 1 month	1–3 months	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash and balances with central bank	442,736	-	-	-	-	-	442,736
Loans and advances to banks and credit institutions	669,569	422	4,696	3,281	-	-	677,968
Financial assets at fair value through profit or loss	842	679	2,589	4,977	3,800	30,102	42,989
Loans and finance lease receivable	511,149	537,656	406,629	618,688	127,310	219,072	2,420,504
Investment securities:	8,433	19,049	72,330	151,893	37,794	22,336	311,835
available-for-sale	*153*	*269*	*-*	*-*	*20,581*	*22,336*	*43,339*
held-to-maturity	*8,280*	*18,780*	*72,330*	*151,893*	*17,213*	*-*	*268,496*
Intangible assets	-	-	-	-	-	22,095	22,095
Property, plant and equipment	-	-	-	-	-	34,311	34,311
Investment property	-	-	-	-	-	142,840	142,840
Deferred income tax assets	-	-	-	-	-	13,337	13,337
Assets classified as held for sale	-	-	56,963	-	-	-	56,963
Other assets	10,355	1,139	3,812	10,393	8,150	97,156	131,005
Total assets	**1,643,084**	**558,945**	**547,019**	**789,232**	**177,054**	**581,249**	**4,296,583**
Liabilities							
Due to banks and other credit institutions	144,944	114,052	1,103	15,605	-	10,160	285,864
Financial liabilities at fair value through profit or loss	6	-	-	-	-	-	6
Due to customers	1,503,722	531,597	1,162,206	151,998	4,538	-	3,354,061
Debt securities in issue	-	17,860	-	-	-	-	17,860
Subordinated loans	5,610	-	-	-	143,226	-	148,836
Deferred tax liabilities	-	-	-	-	-	14,984	14,984
Liabilities directly associated with assets classified as held for sale	-	-	2,617	-	-	-	2,617
Other liabilities	27,551	251	819	519	31,774	270	61,184
Total liabilities	**1,681,833**	**663,760**	**1,166,745**	**168,122**	**179,538**	**25,414**	**3,885,412**
Net position	**(38,749)**	**(104,815)**	**(619,726)**	**621,110**	**(2,484)**	**555,835**	**411,171**

As of 31 December 2008 (as restated (Note 5)) the Group's assets and liabilities by maturity were as follows:

	Up to 1 month	1–3 months	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Total assets	1,096,447	224,749	1,095,568	1,103,282	266,040	194,033	**3,980,119**
Total liabilities	1,464,575	554,699	1,222,958	102,595	113,171	32,680	**3,490,678**
Net position	**(368,128)**	**(329,950)**	**(127,390)**	**1,000,687**	**152,869**	**161,353**	**489,441**

As of 31 December 2009 the Bank's assets and liabilities by maturity were as follows:

	Up to 1 month	1–3 months	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash and balances with central bank	442,719	-	-	-	-	-	442,719
Loans and advances to banks and other credit institutions	668,954	-	-	1,372	-	-	670,326
Financial assets at fair value through profit or loss	852	313	149	430	-	9,358	11,102
Loans and finance lease receivable	550,769	517,353	339,335	566,134	101,789	196,441	2,271,821
Investment securities:	205,251	19,043	68,284	150,864	37,794	21,932	503,168
available-for-sale	*153*	*269*	*-*	*-*	*20,581*	*21,932*	*42,935*
held-to-maturity	*205,098*	*18,774*	*68,284*	*150,864*	*17,213*	*-*	*460,233*
Investments in subsidiaries	-	-	-	-	-	157,636	157,636
Intangible assets	-	-	-	-	-	2,220	2,220
Property, plant and equipment	-	-	-	-	-	25,197	25,197
Investment property	-	-	-	-	-	16,052	16,052
Deferred income tax assets	-	-	-	-	-	13,337	13,337
Other assets	2,367	928	3,617	9,844	5,004	85,386	107,146
Total assets	**1,870,912**	**537,637**	**411,385**	**728,644**	**144,587**	**527,559**	**4,220,724**
Liabilities							
Due to banks and other credit institutions	144,944	105,052	1,103	15,605	-	10,160	276,864
Financial liabilities at fair value through profit or loss	6	-	-	-	-	-	6
Due to customers	1,506,071	536,679	1,163,248	152,345	4,538	-	3,362,881
Debt securities in issue	-	17,860	-	-	-	-	17,860
Subordinated loans	5,610	-	-	-	143,226	-	148,836
Other liabilities	19,383	54	196	313	-	-	19,946
Total liabilities	**1,676,014**	**659,645**	**1,164,547**	**168,263**	**147,764**	**10,160**	**3,826,393**
Net position	**194,898**	**(122,008)**	**(753,162)**	**560,381**	**(3,177)**	**517,399**	**394,331**

As of 31 December 2008 (as restated (Note 5)) the Bank's assets and liabilities by maturity were as follows:

Total assets	1,360,694	242,713	1,072,661	966,913	393,502	187,767	**4,224,250**
Total liabilities	1,446,969	851,045	1,224,357	102,214	93,790	31,372	**3,749,747**
Net position	**(86,275)**	**(608,332)**	**(151,696)**	**864,699**	**299,712**	**156,395**	**474,503**

NOTE 35 MARKET RISK MANAGEMENT

The Group/Bank take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products. To assess the approximate level of market risks associated with the Group's/Bank's positions, and the expected maximum amount of potential losses, the Group/Bank use internal reports and models for individual types of risks faced by the Group/Bank. The Group/Bank uses a system of limits, the aim of which is to ensure that the level of risks the Group/Bank are exposed to at any time does not exceed the level of risks the Group/Bank are willing and able to take. These limits are monitored on a daily basis.

For risk management purposes, the market risk is regarded as the risk of potential losses the Group/Bank may incur due to unfavorable development in market rates and prices. To manage market risks, the Group/Bank uses a system of limits imposed on individual positions and portfolios.

a) currency risk

The Group/Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The Bank of Lithuania has determined open currency position limits that must be complied with daily (see note 38). Aggregate open position of the Group/Bank have to be lower than 25% of eligible capital, and single open position of the Group/Bank have to be lower than 15% of eligible capital.

Concentrations of assets, liabilities and off balance sheet items of the Group as of 31 December 2009:

	EUR	USD	LTL	Other	Total
Assets					
Cash and balances with central bank	79,599	5,619	355,388	2,130	442,736
Loans and advances to banks and other credit institutions	468,781	136,616	4,774	67,797	677,968
Financial assets at fair value through profit or loss	19,481	4,748	17,498	1,262	42,989
Loans and finance lease receivable	982,566	240,695	1,181,825	15,418	2,420,504
Investment securities:	149,884	138,952	18,243	4,756	311,835
available-for-sale	*2,549*	*18,843*	*17,191*	*4,756*	*43,339*
held-to-maturity	*147,335*	*120,109*	*1,052*	-	*268,496*
Intangible assets	-	-	22,051	44	22,095
Property, plant and equipment	-	-	26,178	8,133	34,311
Investment property	-	-	142,840	-	142,840
Deferred income tax assets	-	-	13,337	-	13,337
Assets classified as held for sale	-	-	56,963	-	56,963
Other assets	5,209	258	117,210	8,328	131,005
Total assets	**1,705,520**	**526,888**	**1,956,307**	**107,868**	**4,296,583**
Liabilities					
Due to banks and other credit institutions	125,868	99,575	13,120	47,301	285,864
Financial liabilities at fair value through profit or loss	-	-	6	-	6
Due to customers	1,251,043	423,718	1,640,522	38,778	3,354,061
Debt securities in issue	3,584	-	14,276	-	17,860
Subordinated loans	94,539	4,297	50,000	-	148,836
Deferred income tax liabilities	-	-	14,984	-	14,984
Liabilities directly associated with assets classified as held for sale	-	-	2,617	-	2,617
Other liabilities	5,200	3,567	51,434	983	61,184
Total liabilities	**1,480,234**	**531,157**	**1,786,959**	**87,062**	**3,885,412**
Total equity	**-**	**-**	**415,560**	**(4,389)**	**411,171**
Total liabilities and equity	**1,480,234**	**531,157**	**2,202,519**	**82,673**	**4,296,583**
Net balance sheet position	**225,286**	**(4,269)**	**(246,212)**	**25,195**	**-**
Net off-balance sheet position	**(231,646)**	**(5,769)**	**245,089**	**(5,672)**	**2,002**
Net balance and off-balance sheet position	**(6,360)**	**(10,038)**	**(1,123)**	**19,523**	**2,002**
Credit commitments	31,500	998	86,089	-	118,587
Issued guarantees	4,946	4,462	38,294	-	47,702

Concentrations of assets, liabilities and off balance sheet items of the Group as of 31 December 2008 (as restated (Note 5)):

	EUR	USD	LTL	Other	Total
Total assets	**873,391**	**551,287**	**2,524,390**	**31,051**	**3,980,119**
Total liabilities and equity	**844,946**	**686,106**	**2,385,800**	**63,267**	**3,980,119**
Net balance sheet position	28,445	(134,819)	138,590	(32,216)	-
Net off-balance sheet position	(95,438)	128,369	(65,942)	38,269	5,258
Net balance and off-balance sheet position	(66,993)	(6,450)	72,648	6,053	5,258

Concentrations of assets, liabilities and off balance sheet items of the Bank as of 31 December 2009:

	EUR	USD	LTL	Other	Total
Assets					
Cash and balances with central bank	79,599	5,619	355,371	2,130	442,719
Loans and advances to banks and other credit institutions	466,078	136,604	-	67,644	670,326
Financial assets at fair value through profit or loss	326	859	9,335	582	11,102
Loans and finance lease receivable	943,309	254,465	1,058,629	15,418	2,271,821
Investment securities:	144,961	138,612	214,839	4,756	503,168
available-for-sale	*2,549*	*18,843*	*16,787*	*4,756*	*42,935*
held-to-maturity	*142,412*	*119,769*	*198,052*	*-*	*460,233*
Investments in subsidiaries	-	-	157,636	-	157,636
Intangible assets	-	-	2,220	-	2,220
Property, plant and equipment	-	-	25,197	-	25,197
Investment property	-	-	16,052	-	16,052
Deferred income tax assets	-	-	13,337	-	13,337
Other assets	5,189	246	100,000	1,711	107,146
Total assets	**1,639,462**	**536,405**	**1,952,616**	**92,241**	**4,220,724**
Liabilities					
Due to banks and other financial institutions	125,868	99,575	4,120	47,301	276,864
Financial liabilities at fair value through profit or loss	-	-	6	-	6
Due to customers	1,254,076	423,785	1,646,242	38,778	3,362,881
Debt securities in issue	3,584	-	14,276	-	17,860
Subordinated loans	94,539	4,297	50,000	-	148,836
Other liabilities	3,264	3,668	12,939	75	19,946
Total liabilities	**1,481,331**	**531,325**	**1,727,583**	**86,154**	**3,826,393**
Total equity	**-**	**-**	**394,331**	**-**	**394,331**
Total liabilities and equity	**1,481,331**	**531,325**	**2,121,914**	**86,154**	**4,220,724**
Net balance sheet position	**158,131**	**5,080**	**(169,298)**	**6,087**	**-**
Net off-balance sheet position	**(162,920)**	**(5,429)**	**172,906**	**(5,671)**	**(1,114)**
Net balance and off-balance sheet position	**(4,789)**	**(349)**	**3,608**	**416**	**(1,114)**
Credit commitments	31,533	998	30,923	-	63,454
Issued guarantees	4,946	4,462	38,294	-	47,702

Concentrations of assets, liabilities and off balance sheet items of the Bank as of 31 December 2008:

	EUR	USD	LTL	Other	Total
Total assets	**973,555**	**548,545**	**2,674,175**	**27,975**	**4,224,250**
Total liabilities and equity	**836,863**	**681,328**	**2,639,249**	**66,810**	**4,224,250**
Net balance sheet position	136,692	(132,783)	34,926	(38,835)	-
Net off-balance sheet position	(96,075)	128,946	(65,943)	38,268	5,196
Net balance and off-balance sheet position	40,617	(3,837)	(31,017)	(567)	5,196

Sensitivity to currency risk, LTL'000:

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Sensitivity to changes in EUR rates		
-	-	Expected rate fluctuation, %	-	-
(6,360)	(66,993)	Open position	(4,789)	40,617
-	-	Effect on profit or loss	-	-
-	-	Effect on equity	-	-
		Sensitivity to changes in USD rates		
1.86	3.97	Expected rate fluctuation, %	1.86	3.97
(10,038)	(6,450)	Open position	(349)	(3,837)
±187	±256	Effect on profit or loss	±6	±152
-	-	Effect on equity	-	-
		Sensitivity to changes in UAH rates		
7.21	31.06	Expected rate fluctuation, %	7.21	31.06
18,780	5,881	Open position	354	1
±1,354	±1,827	Effect on profit or loss	±26	-
-	-	Effect on equity	-	-

Expected rate fluctuation is based on the actual changes from the beginning of the year till the end of the year.

In case open position is long (i.e. positive number), the increase in currency rates has positive impact on the results and the decrease in currency rates has negative impact on the results. In case open position is short (i.e. negative number), the increase in currency rates has negative impact on the results and the decrease in currency rates has positive impact on the results.

b) interest rate risk

The Group/Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Group/Bank has internal interest rate limits and ratios that are set in accordance with its procedures. Compliance with interest rate limits and ratios is reported on a monthly basis.

To minimize the risk of interest rate fluctuations granting loans with variable interest rate the Group/Bank sets a floor for fixed interest rates. As of 31 December 2009 loans with fixed lowest interest rate for the Group/Bank comprised LTL'000 1,185,575 (31 December 2008: LTL'000 1,570,530).

Groups' assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of 31 December 2009.

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Assets						
Cash and balances with central bank	61,851	-	-	-	380,885	442,736
Loans and advances to banks and other credit institutions	217,523	407	4,598	3,171	452,269	677,968
Financial assets at fair value through profit or loss	11,610	-	-	-	31,379	42,989
Loans and finance lease receivable	1,243,501	535,510	191,084	220,322	230,087	2,420,504
Investment securities:	29,427	21,741	63,367	165,963	31,337	311,835
available-for-sale	*18,211*	-	-	-	*25,128*	*43,339*
held-to-maturity	*11,216*	*21,741*	*63,367*	*165,963*	*6,209*	*268,496*
Intangible assets	-	-	-	-	22,095	22,095
Property, plant and equipment	-	-	-	-	34,311	34,311
Investment property	-	-	-	-	142,840	142,840
Deferred income tax assets	-	-	-	-	13,337	13,337
Assets classified as held for sale					56,963	56,963
Other assets	-	-	-	-	131,005	131,005
Total assets	**1,563,912**	**557,658**	**259,049**	**389,456**	**1,526,508**	**4,296,583**
Liabilities						
Due to banks and other credit institutions	141,702	113,879	2,968	8,004	19,311	285,864
Financial liabilities at fair value through profit or loss	-	-	-	-	6	6
Due to customers	883,774	516,636	1,143,252	99,035	711,364	3,354,061
Debt securities in issue	-	17,400	-	-	460	17,860
Subordinated loans	3,608	-	-	143,226	2,002	148,836
Deferred income tax liabilities	-	-	-	-	14,984	14,984
Liabilities directly associated with assets classified as held for sale	-	-	-	-	2,617	2,617
Other liabilities	-	-	-	-	61,184	61,184
Total liabilities	**1,029,084**	**647,915**	**1,146,220**	**250,265**	**811,928**	**3,885,412**
Off balance sheet claims sensitive to interest rate changes	-	-	-	-	-	-
Off balance sheet liabilities sensitive to interest rate changes	-	-	-	-	-	-
Interest rate risk	534,828	(90,257)	(887,171)	139,191	714,580	411,171

Groups' assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of 31 December 2008 (as restated (Note 5)):

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Total assets	**2,047,908**	**184,138**	**726,492**	**570,991**	**450,590**	**3,980,119**
Total liabilities	**886,388**	**577,313**	**1,193,793**	**152,407**	**680,777**	**3,490,678**
Off balance sheet claims sensitive to interest rate changes	17,264	-	-	-	-	17,264
Off balance sheet liabilities sensitive to interest rate changes	17,264	-	-	-	-	17,264
Interest rate risk	1,161,520	(393,175)	(467,301)	418,584	(230,187)	489,441

Banks' assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of 31 December 2009:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Assets						
Cash and balances with central bank	61,851	-	-	-	380,868	442,719
Loans and advances to banks and other credit institutions	217,523	-	-	1,372	451,431	670,326
Financial assets held for trading	741	-	-	-	10,361	11,102
Loans and finance lease receivable	1,264,919	499,597	117,898	166,918	222,489	2,271,821
Investment securities:	226,256	21,741	59,381	164,950	30,840	503,168
available-for-sale	*18,212*	-	-	-	*24,723*	*42,935*
held-to-maturity	*208,044*	*21,741*	*59,381*	*164,950*	*6,117*	*460,233*
Investments in subsidiaries	-	-	-	-	157,636	157,636
Intangible assets	-	-	-	-	2,220	2,220
Property, plant and equipment	-	-	-	-	25,197	25,197
Investment property	-	-	-	-	16,052	16,052
Deferred income tax assets	-	-	-	-	13,337	13,337
Other assets	-	-	-	-	107,146	107,146
Total assets	**1,771,290**	**521,338**	**177,279**	**333,240**	**1,417,577**	**4,220,724**
Liabilities						
Due to banks and other financial institutions	141,702	104,879	2,968	8,004	19,311	276,864
Financial liabilities at fair value through profit or loss	-	-	-	-	6	6
Due to customers	885,737	521,619	1,144,295	99,346	711,884	3,362,881
Debt securities in issue	-	17,400	-	-	460	17,860
Subordinated loans	3,608	-	-	143,226	2,002	148,836
Other liabilities	-	-	-	-	19,946	19,946
Total liabilities	**1,031,047**	**643,898**	**1,147,263**	**250,576**	**753,609**	**3,826,393**
Off balance sheet claims sensitive to interest rate changes	-	-	-	-	-	-
Off balance sheet liabilities sensitive to interest rate changes	-	-	-	-	-	-
Interest rate risk	740,243	(122,560)	(969,984)	82,664	663,968	394,331

Banks' assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of as of 31 December 2008:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Total assets	**2,593,684**	**135,527**	**603,914**	**456,428**	**434,697**	**4,224,250**
Total liabilities	**881,116**	**873,800**	**1,197,190**	**152,718**	**644,923**	**3,749,747**
Off balance sheet claims sensitive to interest rate changes	17,264	-	-	-	-	17,264
Off balance sheet liabilities sensitive to interest rate changes	17,264	-	-	-	-	17,264
Interest rate risk	1,712,568	(738,273)	(593,276)	303,710	(210,226)	474,503

Sensitivity to interest rate risk, LTL'000:

The Group 2009	The Group 2008		The Bank 2009	The Bank 2008
		Changes in profit or loss if interest rates increased by 1 percentage point		
(442)	4,152	LTL	1,353	4,782
1,301	1,257	EUR	813	2,426
109	(721)	USD	133	(671)
(468)	(238)	Other currencies	(472)	(245)
500	**4,450**	**Total changes in profit or loss if interest rates increased by 1 percentage point**	**1,827**	**6,292**
		Changes in profit or loss if interest rates decreased by 1 percentage point		
442	(4,152)	LTL	(1,353)	(4,781)
1,610	1,514	EUR	2,097	1,775
1,255	1,792	USD	1,231	1,742
572	312	Other currencies	575	319
3,879	**(534)**	**Total changes in profit or loss if interest rates decreased by 1 percentage point**	**2,550**	**(945)**

NOTE 36 OTHER RISKS INHERENT IN THE GROUP'S ACTIVITY

Concentration risk is the risk to incur a relatively large losses that could threaten normal Group's activities resulting from unexpected/adverse changes in individual economic sector, geographical region, customer, asset or business segment. All the disclosures of concentration risk known to the Group's management are included in the financial statements of the Group.

Operational risk is the risk of loss resulting from inadequate or failed processes of internal control, errors or fraudulent activities of employees, malfunction of information systems, or from external events. Every employee of the Group is responsible for the management of operational risk within the extent of his/her competence. Banking services are provided pursuant to the procedures, employee authorizations and limits set by the Bank's policies and procedures. Transactions are controlled in all stages: preparing of documentation, accounting and transfer of funds. In order to reduce the quantity of errors arising from human factors, automatic operation control is used.

Security and uninterrupted functioning of the Group's information systems is ensured by backing up main servers, providing for alternative power supply and standby communication lines. Daily back-up copies of the data are made, contingency plans determining actions to be made in extreme conditions are in place. These procedures are described in Group's internal documents. Plans for restoring the activity of the Bank and individual subsidiaries are continuously reviewed and improved. Material operational risk events (including business line, source of risk, losses and other circumstances of the event) are registered in the database. Operational risk indicators are observed, analyzed and assessed in key areas of activity. This information enables the Group to assess the level of risk in separate areas of activity and, if necessary, implement risk mitigation measures.

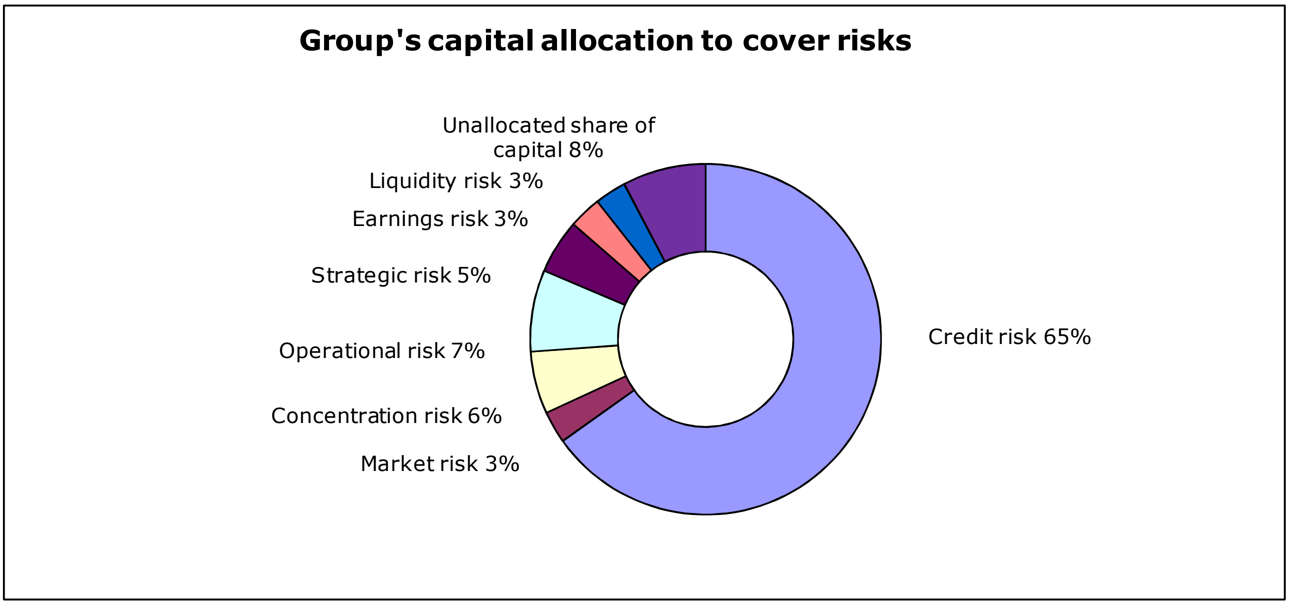
Strategic risk is the risk arising from external or internal factors of Group's environment, which could result in negative impact on implementation of the Group's objectives, continuity and going concern of Group's operations due to deficient or erroneous assessments.

Reputation risk is the risk of adverse image of the Group's reputation in the eyes of customers / counterparties / shareholders / investors having negative impact on Group earnings or capital.

Earnings risk is the risk arising from inefficient management of the Group, inability to adequately diversify the structure of income earning assets, income streams from customer segments and business lines or inability to attain a sufficient and lasting level of Group's profitability.

NOTE 37 ALLOCATION OF CAPITAL TO COVER RISKS

In addition to calculations of capital to cover the risk, the Group calculates and plans the economic capital. In accordance with the risk management strategy, Group's allocated capital to cover the risk has to be 10% higher than calculated economic capital. The Bank's management took measures to increase the volumes of capital to cover risk by initializing new share issue (new share issue is included in the agenda for the coming ordinary shareholders meeting). The Group calculates economic capital to cover all identified major risks. In the process of calculation of Group's economic capital, credit and operational risk are assessed using standard and basic indicator approaches, additionally, the system of internal risk indicators is used to assess possible deficits of capital requirement calculated under these approaches. Internal market models and conservative stress tests are used to assess the market risk. Internal risk assessment and additional capital requirement systems are implemented for assessment of liquidity, concentration, strategic, reputation and earnings risks. In calculation of aggregate economic capital to cover risks, the Group adds up capital required for different risks without taking account of risk diversification factor due to low actual correlation of individual risks. The Group's capital allocation to cover risks as of 31 December 2009 is presented below:



NOTE 38 COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

In 2009 and 2008, the Group and the Bank were in compliance with all the requirements set by the Bank of Lithuania.

The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2009 is presented in the table below:

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	>= 8%	13.80%	14.10%
Liquidity ratio	>= 30%	52.29%	50.86%
Maximum credit exposure to a single borrower	<= 25% (for subsidiaries – 75%) of eligible capital	Complied	Complied
Large loans	<= 800% of eligible capital	287.43%	200.41%
Aggregate open foreign currency position	<= 25% of eligible capital	0.12%	3.70%
Single open foreign currency position	<= 15% of eligible capital	0.07%	3.53%

The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2008 is presented in the table below:

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	>= 8%	12.79%	13.25%
Liquidity ratio	>= 30%	42.75%	35.99%
Maximum credit exposure to a single borrower	<= 25% (for subsidiaries – 75%) of eligible capital	Complied	Complied
Large loans	<= 800% of eligible capital	357.06%	201.58%
Aggregate open foreign currency position	<= 25% of eligible capital	(0.99)%	(1.39)%
Single open foreign currency position	<= 15% of eligible capital	(0.82)%	(1.25)%

Please also refer to the note 39 for additional details on capital adequacy ratio calculation.

NOTE 39 CAPITAL ADEQUACY

The capital adequacy ratio set by Bank of Lithuania has to be at least 8% of the Group's and the Bank's capital.

The compliance with capital adequacy ratio is calculated based on the General Regulations for the Calculation of Capital Adequacy (No 138 09 11 2006) approved by the board of the Bank of Lithuania.

The capital adequacy ratio as of 31 December 2009 and 31 December 2008 calculated in accordance with the Bank of Lithuania regulations, is presented in the table below:

The Group			The Bank	
2009	**2008**		**2009**	**2008**
		Tier 1 capital		
245,824	196,708	Share capital	245,824	196,708
76,500	76,500	Share premium	76,500	76,500
136,647	50,000	Reserve capital	136,647	50,000
12,181	57,918	Undistributed profit of previous years	-	33,825
(70,521)	-	Loss of current year	(74,997)	-
16,046	11,245	Legal reserve	15,532	10,971
-	49,116	General reserve for losses of assets	-	49,116
(5,193)	(110)	Revaluation reserve – available-for-sale investment securities	(5,175)	-
(22,095)	(22,671)	Deductions	(21,730)	(22,513)
389,389	**418,706**	**Total Tier 1 capital**	**372,601**	**394,607**
		Tier 2 capital		
(313)	2,358	Currency translation reserve	-	-
143,226	93,961	Eligible for inclusion in Tier 2 capital part of subordinated loans	143,226	93,961
-	-	Deductions	(19,511)	(19,736)
142,913	**96,319**	**Total Tier 2 capital**	**123,715**	**74,225**
532,302	**515,025**	**Total Capital Base**	**496,316**	**468,832**
		Risk-weighted assets and off-balance sheet items		
3,231,580	3,256,610	Banking book risk-weighted assets and off-balance sheet items	3,194,730	3,169,020
139,250	184,190	Trading book risk-weighted assets and off-balance sheet items	80,810	131,260
404,420	445,560	Operational risk risk-weighted assets and off-balance sheet items	321,530	365,030
3,775,250	**3,886,360**	**Total risk-weighted assets and off-balance sheet items**	**3,597,070**	**3,665,310**
10.31	**10.77**	**Tier 1 capital / Total risk-weighted assets and off-balance sheet items, %**	**10.36**	**10.77**
14.10	**13.25**	**Capital adequacy ratio, %**	**13.80**	**12.79**

NOTE 40 RELATED PARTY TRANSACTIONS

Related party	Description of relationship
Shareholders	Shareholders whose interest exceeds 5% of share capital
Members of the Board and Council	
Subsidiaries	Companies, comprising the Group as described in Note 1 to financial statements
Other related parties	Balkan Investment Bank A. D.; UAB Ūkio Banko Investicinė Grupė; UAB Asocijuoto Turto Valdymas; UAB FMĮ Finbaltus; UAB Apskaita ir Verslo Projektai and; heads of administration of the Bank's subsidiaries and their close relatives, close relatives of the Bank's shareholders and members of the Board and Council.

During the year 2009 and 2008 Group companies entered into the following transactions with related parties that are not members of the Group:

The Group	Members of the Board and the Council	Shareholders	Other related parties
As of 31 December 2009			
Loans, finance lease receivable	2,709	-	137,495
Interest income	107	-	9,354
Deposits	2,192	482	21,268
Interest expenses	130	17	465
As of 31 December 2008			
Loans, finance lease receivable	3,494	-	112,371
Interest income	134	-	5,444
Deposits	2,215	21	39,807
Interest expenses	141	6	658

The Bank	Members of the Board and the Council	Shareholders	Other related parties
As of 31 December 2009			
Loans, finance lease	2,656	-	137,444
Interest income	103	-	9,349
Deposits	2,192	482	21,268
Interest expense	130	17	465
As of 31 December 2008			
Loans, finance lease	3,480	-	112,255
Interest income	131	-	5,436
Deposits	2,215	21	39,807
Interest expense	141	6	658

In addition to the transactions described above, in December 2009 the Bank received a subordinated loan from its shareholder V.Romanov. See Note 19 for details.

The Group			The Bank	
2009	**2008**	**Compensation to key management personnel**	**2009**	**2008**
4,493	5,807	Short-terms payments	1,969	4,582
-	33	Long-terms payments	-	33

As of 31 December 2009 and for the twelve month period then ended related party transactions between the Bank and subsidiaries were as follows:

Related parties	Bank's payables	Bank's receivables	Income received	Expenses
GD UAB Bonum Publicum	6,451	2	17	543
UAB Ūkio Banko Lizingas	2,046	197,003	15,890	(98)
UAB Ūkio Banko Investicijų Valdymas	182	10	2	3
RAB Ūkio Bank Lizing	66	44,595	3,259	-
UAB Ūkio Banko Rizikos Kapitalo Valdymas	64	53,704	7,264	6,887
UAB Investicinio Turto Valdymas	11	-	4,214	-

As of 31 December 2008 and for the twelve month period then ended related party transactions between the Bank and subsidiaries were as follows:

Related parties	Bank's payables	Bank's receivables	Income received	Expenses
GD UAB Bonum Publicum	10,145	1	96	532
UAB Ūkio Banko Lizingas	407	280,813	17,680	125
UAB Ūkio Banko Investicijų Valdymas	153	-	1	9
UAB Ūkio Banko Rizikos Kapitalo Valdymas	300,001	303,336	2,848	2,539
RAB Ūkio Bank Lizing	-	53,311	3,572	-

The transactions with related parties were concluded on an arm's length basis.

NOTE 41 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

The Group			The Bank	
31.12.2009	31.12.2008	Claims and liabilities	31.12.2009	31.12.2008
47,702	33,072	Guarantees and warranties	47,702	33,072
4,015	981	Commitments to issue letters of credit	4,015	981
118,587	169,748	Irrevocable lending commitments	63,454	96,847
258,962	76,161	Spot liabilities	331,145	76,161
258,970	75,798	Spot claims	331,153	75,798
-	6	Other off balance commitments	-	6

As of 31 December 2009 UAB Ūkio Banko Lizingas has finance lease contracts in the amount LTL'000 15 signed, but not yet executed (31 December 2008: LTL'000 1,378).

Finance lease – as of 31 December 2009 the Bank has outstanding finance lease obligations under finance lease contracts in the amount of LTL'000 194 (31 December 2008: LTL'000 60). Minimum finance lease payment obligations are recorded on the balance sheet under liabilities. The Bank's obligations under finance leases are secured by the lessor's right to the leased assets.

Operating leases – the Bank rents offices, other premises and land for banking activities. The Bank has outstanding non-cancelable commitments in connection with the rental agreements as of 31 December 2009 amounting to LTL'000 72,542 (31 December 2008: LTL'000 84,343).

As of 31 December 2009 the Group's and the Bank's future annual minimum commitments under leases were following:

For the year ending 31 December	2009 Finance lease	2009 Operating lease	2008 Finance lease	2008 Operating lease
2009	-	-	61	11,428
2010	78	10,938	-	10,444
2011	81	9,912	-	9,825
2012	42	8,197	-	8,290
2013	-	7,380	-	6,929
Thereafter	-	36,115	-	37,427
Minimum lease payments	**201**	**72,542**	**61**	**84,343**
Less: interest	(7)		(1)	
Present value of minimum lease payments	**194**		**60**	

It is expected that in the normal course of business, expiring leases will be renewed or replaced by leases on other fixed assets.

Litigation and claims – As of 31 December 2009 and 31 December 2008 the Group/Bank was not involved in any legal proceedings except for those related to loan loss recovery.

NOTE 42 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group			
	31.12.2009			
Derivative financial instruments	**Foreign exchange purchase/sale agreements, nominal**	**Interest rate agreements, nominal**	**Related to equity, nominal**	**Other, nominal**
Claims	**27,011**	**-**	**-**	**-**
Forward	9,559	-	-	-
Swaps	17,452	-	-	-
Put options	-	-	-	-
Liabilities	**26,863**	**-**	**-**	**-**
Forward	9,431	-	-	-
Swaps	17,432	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-

	The Group			
	31.12.2008			
Derivative financial instruments	**Foreign exchange purchase/sale agreements, nominal**	**Interest rate agreements, nominal**	**Related to equity, nominal**	**Other, nominal**
Claims	**480,033**	**17,264**	**-**	**-**
Forward	208,052	-	-	-
Swaps	271,961	17,264	-	-
Put options	20	-	-	-
Liabilities	**474,415**	**17,264**	**-**	**-**
Forward	202,442	-	-	-
Swaps	271,953	17,264	-	-
Put options	20	-	-	-
Call options	-	-	-	-

	The Bank			
	31.12.2009			
Derivative financial instruments	**Foreign exchange purchase/sale agreements, nominal**	**Interest rate agreements, nominal**	**Related to equity, nominal**	**Other, nominal**
Claims	**27,353**	**-**	**-**	**-**
Forward	9,901	-	-	-
Swaps	17,452	-	-	-
Put options	-	-	-	-
Liabilities	**27,195**	**-**	**-**	**-**
Forward	9,763	-	-	-
Swaps	17,432	-	-	-
Put options	-	-	-	-

	The Bank			
	31.12.2008			
Derivative financial instruments	**Foreign exchange purchase/sale agreements, nominal**	**Interest rate agreements, nominal**	**Related to equity, nominal**	**Other, nominal**
Claims	**480,609**	**17,264**	**-**	**-**
Forward	208,628	-	-	-
Swaps	271,961	17,264	-	-
Put options	20	-	-	-
Liabilities	**475,052**	**17,264**	**-**	**-**
Forward	203,079	-	-	-
Swaps	271,953	17,264	-	-
Put options	20	-	-	-

NOTE 43 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts have been determined by the Group and the Bank using market information and valuation methodologies considered appropriate. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group and the Bank could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value estimates presented herein are based on pertinent information available to the Group as of 31 December 2009 and 2008. The Group is not aware of any factors that could have a material impact on the amounts of these fair values.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities that as of 31 December 2009 and 2008 had not been presented in the Group's and the Bank's balance sheet statements at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	31.12.2009		31.12.2008	
	The Group		The Group	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Loans and advances to banks and other credit institutions	677,968	677,931	102,018	101,734
Loans and finance lease receivable	2,420,504	2,417,508	3,072,210	3,046,120
Securities held-to-maturity	268,496	262,291	375,208	361,691
Financial Liabilities:				
Deposits from banks and other credit institutions	285,864	287,478	261,017	259,209
Due to customers	3,354,061	3,375,444	3,035,516	3,015,600
Debt securities in issue	17,860	17,866	24,784	24,679
Subordinated loans	148,836	143,823	103,220	93,721

The methods and assumptions used in estimating the fair value of financial instruments are as follows:

Financial Instruments with carrying amount equal to fair value.
The fair value of financial instruments that are short-term or re-priced frequently and have a history of negligible credit losses is considered to approximate their carrying value.

Loans and advances to banks and other credit institutions
Loans and advances to banks and other credit institutions include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

Loans and receivables
Loans and receivables are net of specific and other provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Due to customers
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Fair value measurements recognised in the statement of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	31.12.2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	42,147	842	-	42,989
Investment securities available-for-sale	21,407	-	21,932	43,339
Financial liabilities at fair value through profit or loss	-	6	-	6

The movement of financial assets measured using Level 3 fair value measurements is presented in the table below:

	The Group
Carrying amount	
As of 31 December 2008	**20,536**
additions	1,598
(disposals)	(186)
currency exchange differences	(16)
As of 31 December 2009	**21,932**

Disposals of these assets resulted in net realised profit of LTL‘000 364, which was recognised in Income statement line „Net gains (losses) arising from investment securities“

NOTE 44 OPERATING SEGMENTS

Segments were identified by types of services Group's entities provide. The Banking segment includes financial information of AB Ūkio Bankas (main activity – banking services), Finance lease segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ūkio Bank Lizing (main activity – finance lease). Other activities segment includes financial information of Group's entities not included in Banking or Finance lease segments. Other activities segment for the year 2009 includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas, UAB Investicinio Turto Valdymas and GD UAB Bonum Publicum and discontinued operations (financial information of UAB Eastern Europe Development Fund). Other activities segment for the year 2008 includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas, GD UAB Bonum Publicum and discontinued operations (financial information of UAB Turto valdymo strategija, UAB Turto Valdymo Sprendimai, UAB Turto Valdymo Sistemos and OAO Russkiy Karavay).

	2009				
	Banking	**Finance lease**	**Other activities**	**Elimination**	**Group**
CONTINUING OPERATIONS					
Interest revenues:					
Internal	26,670	9	7,629	(34,308)	-
External	222,100	51,041	2,654	-	275,795
	248,770	**51,050**	**10,283**	**(34,308)**	**275,795**
Interest expenses:					
Internal	(7,637)	(18,582)	(8,088)	34,307	-
External	(212,520)	(738)	(35)	-	(213,293)
	(220,157)	**(19,320)**	**(8,123)**	**34,307**	**(213,293)**
Net interest income	**28,613**	**31,730**	**2,160**	**(1)**	**62,502**
Non-interest revenues:					
Internal	277	-	1,097	(1,374)	-
External	97,632	7,811	25,189	-	130,632
	97,909	**7,811**	**26,286**	**(1,374)**	**130,632**
Non-interest expenses:					
Internal	301	(5,759)	(313)	5,771	-
External	(117,468)	(16,643)	(23,152)	-	(157,263)
	(117,167)	**(22,402)**	**(23,465)**	**5,771**	**(157,263)**
Segment result before impairment, amortization and taxes	**9,355**	**17,139**	**4,981**	**4,396**	**35,871**
Depreciation and amortization	(6,363)	(1,709)	(246)	-	(8,318)
Impairment losses	(89,632)	(16,778)	(454)	(6,154)	(113,018)
Profit before tax	**(86,640)**	**(1,348)**	**4,281**	**(1,758)**	**(85,465)**
Income tax	11,643	(464)	4,948	-	**16,127**
Net result for the period from continuing operations	**(74,997)**	**(1,812)**	**9,229**	**(1,758)**	**(69,338)**
Net result from discontinued operations	**-**	**-**	**(1,183)**	**-**	**(1,183)**
NET RESULT FROM CONTINUING AND DISCONTINUED OPERATIONS	**(74,997)**	**(1,812)**	**8,046**	**(1,758)**	**(70,521)**
Attributable to:					
Equity holders of the parent	*(74,997)*	*(1,812)*	*8,046*	*(1,758)*	*(70,521)*
Minority interest	-	-	-	-	-
Assets	4,220,724	265,169	277,228	(466,538)	4,296,583
Liabilities	3,826,393	258,607	108,663	(308,251)	3,885,412
Property, plant and equipment acquired	3,708	8,609	126	-	12,443
Intangible assets acquired	769	42	73	-	884

	2008				
	Banking	**Finance lease**	**Other activities**	**Elimination**	**Group**
CONTINUING OPERATIONS					
Interest revenues:					
Internal	25,622	27	3,073	(28,722)	-
External	224,138	56,755	2,203	-	283,096
	249,760	**56,782**	**5,276**	**(28,722)**	**283,096**
Interest expenses:					
Internal	(3,079)	(19,573)	(2,779)	25,431	-
External	(150,870)	(1,464)	-	-	(152,334)
	(153,949)	**(21,037)**	**(2,779)**	25,431	**(152,334)**
Net interest income	**95,811**	**35,745**	**2,497**	**(3,291)**	**130,762**
Non-interest revenues:					
Internal	1,858	111	2,829	(4,798)	-
External	178,011	957	17,552	(27,000)	169,520
	179,869	**1,068**	**20,381**	**(31,798)**	**169,520**
Non-interest expenses:					
Internal	(127)	(4,493)	(187)	4,807	-
External	(176,714)	(17,595)	(19,588)	-	(213,897)
	(176,841)	**(22,088)**	**(19,775)**	**4,807**	**(213,897)**
Segment result before impairment, amortization and taxes	**98,839**	**14,725**	**3,103**	**(30,282)**	**86,385**
Depreciation and amortization	(6,530)	(524)	(245)	-	(7,299)
Impairment losses	(30,217)	(18,105)	-	5,839	(42,483)
Profit before tax	**62,092**	**(3,904)**	**2,858**	**(24,443)**	**36,603**
Income tax	(4,709)	(1,160)	40	-	**(5,829)**
Net result for the period from continuing operations	**57,383**	**(5,064)**	**2,898**	**(24,443)**	**30,774**
Net result from discontinued operations	**-**	**-**	**12,478**	**2,454**	**14,932**
NET RESULT FROM CONTINUING AND DISCONTINUED OPERATIONS	**57,383**	**(5,064)**	**15,376**	**(21,989)**	**45,706**
Attributable to:					
Equity holders of the parent	*57,383*	*(5,064)*	*15,376*	*(21,989)*	*45,706*
Minority interest	-	-	-	-	-
Assets	4,224,250	380,751	345,157	(970,039)	3,980,119
Liabilities	3,749,747	369,710	326,418	(955,197)	3,490,678
Property, plant and equipment acquired	10,265	370	313	-	10,948
Intangible assets acquired	1,883	29	106	-	2,018

Geographical information on Group's activities is presented in the table below:

	31.12.2009		31.12.2008	
	The Group		The Group	
	Lithuania	**Foreign countries**	**Lithuania**	**Foreign countries**
Revenues from external customers	356,539	48,705	407,598	45,018
Property, plant and equipment, investment property, intangible assets	191,113	8,133	77,823	1,802

INFORMATION DISCLOSURES REQUIRED BY LAW

According to local legislation the Bank is required to prepare financial information of Financial group. Financial group includes the Bank and subsidiaries engaged in financial services activities. At the year end 2009, Financial group consists of bank and its subsidiaries engaged in financial services activities UAB Ūkio Banko Lizingas, RAB Ukio Bank Lizing, GD UAB Bonum Publicum, UAB Ūkio Banko Investicijų Valdymas. At the year end 2008, Financial group consists of bank and its subsidiaries engaged in financial services activities UAB Ūkio Banko Lizingas, RAB Ukio Bank Lizing, GD UAB Bonum Publicum, UAB Ūkio Banko Investicijų Valdymas, UAB Ūkio Banko Rizikos Kapitalo Valdymas.

In 2009 and 2008 Financial group complied with all prudential ratios set by the Bank of Lithuania.

Financial group's statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows are presented in this note below:

Financial group Statement of financial position:

	Financial group	
	31.12.2009	**31.12.2008**
ASSETS		
Cash and balances with central bank	442,719	188,875
Loans and advances to banks and other credit institutions	677,968	102,018
Financial assets at fair value through profit or loss	42,989	45,250
Loans and finance lease receivable	2,462,364	3,072,210
Investment securities:		
available-for-sale	*43,339*	*50,676*
held-to-maturity	*268,496*	*375,208*
Investments in subsidiaries	118,315	-
Intangible assets	22,090	22,671
Property, plant and equipment	34,193	30,928
Investment property	25,840	26,026
Deferred tax assets	13,337	910
Other assets	120,608	65,347
Total assets	**4,272,258**	**3,980,119**
LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks and other credit institutions	285,864	261,017
Financial liabilities at fair value through profit or loss	6	1,161
Due to customers	3,354,136	3,035,516
Debt securities in issue	17,860	24,784
Subordinated loans	148,836	103,220
Deferred tax liabilities	1,003	1,186
Other liabilities	60,981	63,794
Total liabilities	**3,868,686**	**3,490,678**
EQUITY		
Share capital	245,824	196,708
Share premium	76,500	76,500
Revaluation reserve - available-for-sale investment securities	(5,193)	(110)
General reserve for losses of assets		49,116
Currency translation reserve	(313)	2,358
Legal reserve	15,996	11,245
Other reserves	136,647	50,000
Retained earnings	(65,889)	103,624
Equity attributable to equity holders of the parent	**403,572**	**489,441**
Minority interest	-	-
Total equity	**403,572**	**489,441**
Total liabilities and equity	**4,272,258**	**3,980,119**

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

Financial group Income statement:

	Financial group 2009	Financial group 2008
CONTINUING OPERATIONS		
Interest income	282,448	283,096
Interest expense	(220,211)	(152,334)
Interest income, net	**62,237**	**130,762**
Fees and commission income	68,928	115,148
Fees and commission expense	(12,895)	(17,486)
Fees and commission income, net	**56,033**	**97,662**
Net gains from dealing in foreign currencies	3,178	35,937
Net losses from financial assets at fair value through profit or loss	20,039	(46,248)
Net gains (losses) arising from investment securities	595	(2,688)
Impairment charge for credit losses	(113,691)	(43,073)
Recoveries of loans written off	1,128	590
Insurance income, net	(85)	10,334
Dividend income	7	178
Other operating income	(1,819)	2,510
Operating profit before operating expenses	**27,622**	**185,964**
Operating expenses	(116,722)	(149,361)
Profit (loss) before income tax	**(89,100)**	**36,603**
Income tax benefit (expense)	11,180	(5,829)
Net profit (loss) for the year from continuing operations	**(77,920)**	**30,774**
Profit (loss) for the year from discontinued operations	**-**	**14,932**
NET PROFIT (LOSS) FOR THE YEAR	**(77,920)**	**45,706**
Attributable to:		
Equity holders of the parent	(77,920)	45,706
Minority interest	-	-
NET PROFIT (LOSS) FOR THE YEAR	**(77,920)**	**45,706**
EARNINGS PER SHARE		
From continuing and discontinued operations:		
Basic (in LTL)	(0.34)	0.23
Diluted (in LTL)	(0.33)	0.23
From continuing operations:		
Basic (in LTL)	(0.34)	0.16
Diluted (in LTL)	(0.33)	0.16

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

Financial group Statement of comprehensive income:

	Financial group 2009	2008
Profit (loss) for the year	**(77,920)**	**45,706**
Other comprehensive income		
Exchange differences on translating foreign operations		
Exchange differences on translating foreign operations, net of tax	(2,671)	2,242
Reclassification adjustments relating to foreign operations disposed of in the year, net of tax	-	310
	(2,671)	**2,552**
Available-for-sale financial assets		
Net gain (loss) arising on revaluation of available-for-sale financial assets during the year, net of tax	(5,083)	(10,288)
	(5,083)	**(10,288)**
Revaluation of properties		
Reclassification adjustments relating to revaluation of properties disposed of in the year, net of tax	-	(48,263)
		(48,263)
Income from sale of subsidiaries included directly in retained earnings	-	(8,298)
Other reclassification adjustments	(195)	-
Total comprehensive income for the year	**(85,869)**	**(18,591)**
Attributable to:		
Equity holders of the parent	(85,869)	(18,591)
Minority interest	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(85,869)**	**(18,591)**

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

Financial group Statement of changes in equity:

Financial group	Share Capital	Share premium	Other reserves	Revaluation reserve on available-for-sale investment securities	General reserve for losses of assets	Fixed assets revaluation reserve	Foreign currency translation reserve	Legal reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	Total
As of 1 January 2008	**196,708**	**76,500**	**2,000**	**10,178**	**21,543**	**79,874**	**7,546**	**5,300**	**111,292**	**510,941**	**1,025**	**511,966**
Dividends paid	-	-	-	-	-	-	-	-	(3,934)	(3,934)	-	(3,934)
Transfer to legal reserve	-	-	-	-	-	-	-	6,245	(6,245)	-	-	-
Transfer to reserve for losses of assets	-	-	-	-	27,573	-	-	-	(27,573)	-	-	-
Transfer to other reserves	-	-	50,000	-	-	-	-	-	(50,000)	-	-	-
Transfer to retained earnings	-	-	(2,000)	-	-	-	-	-	2,000	-	-	-
Other comprehensive income	-	-	-	(10,288)	-	(79,874)	(5,188)	(300)	32,378	(63,272)	(1,025)	(64,297)
Net profit	-	-	-	-	-	-	-	-	45,706	45,706	-	45,706
As of 31 December 2008	**196,708**	**76,500**	**50,000**	**(110)**	**49,116**	**-**	**2,358**	**11,245**	**103,624**	**489,441**	**-**	**489,441**
Transfer to other reserves	-	-	86,647	-	-	-	-	-	(86,647)	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	4,751	(4,751)	-	-	-
Increase of share capital	49,116	-	-	-	(49,116)	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	(5,083)	-	-	(2,671)	-	(195)	(7,949)	-	(7,949)
Net loss	-	-	-	-	-	-	-	-	(77,920)	(77,920)	-	(77,920)
As of 31 December 2009	**245,824**	**76,500**	**136,647**	**(5,193)**	**-**	**-**	**(313)**	**15,996**	**(65,889)**	**403,572**	**-**	**403,572**

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

Financial group Statement of cash flows:

	Financial group	
	2009	**2008**
Cash flows from (to) operating activities		
Net profit (loss) for the year	(77,920)	45,706
Adjustments to net profit:		
Income tax expense (benefit) recognized in profit or loss	(11,180)	5,829
Gain on disposal of subsidiaries	-	(14,932)
Impairment charge for credit losses	113,691	43,073
Interest income	(282,448)	(283,096)
Interest expense	220,211	152,334
Dividends income	(7)	(178)
Depreciation and amortization	8,286	7,299
Decrease in fair value of investment property	186	-
(Profit) loss from sales of property, plant and equipment	797	38
Cash from (to) operating profits before changes in operating assets and liabilities	**(28,384)**	**(43,927)**
Changes in operating assets and liabilities		
Net change in balances with Central Bank	3,578	29,371
Net change in loans to banks and other credit institutions	(5,237)	75,130
Net change in financial assets at fair value through profit or loss	2,261	186,399
Net change in loans and finance lease	382,047	(598,723)
Net change in other assets	5,082	(440)
Net change in due to banks and other credit institutions	24,645	(149,893)
Net change in financial liabilities at fair value through profit or loss	(1,155)	(2,599)
Net change in due to customers	276,782	(40,934)
Net change in other liabilities	(3,927)	(141,028)
Cash generated from (used in) operations	**655,692**	**(686,644)**
Interest received	207,097	267,460
Interest paid	(175,707)	(114,591)
Income tax paid	(2,820)	(20,167)
Net cash generated from / (used in) operating activities	**684,262**	**(553,942)**

(Continued)

	Financial group	
	2009	2008
Cash flows from (to) investing activities		
Dividends received	7	178
Proceeds on sale of subsidiaries	-	29,875
Net change in investment securities	116,633	(9,307)
Acquisition of property, plant and equipment and investment property	(12,440)	(13,336)
Sales of property plant and equipment	1,409	646
Acquisition of intangible assets	(876)	(2,018)
Sale of intangible assets	42	-
Net cash generated from / (used in) investing activities	**104,775**	**6,038**
Cash flows from (to) financing activities		
Dividends paid	-	(3,897)
Debt securities issued	5,510	79,657
Debt securities redeemed	(12,895)	(54,873)
Subordinated loans received	50,000	-
Subordinated loans repaid	(3,744)	-
Net cash generated from financing activities	**38,871**	**20,887**
Net (decrease) increase in cash and cash equivalents	**827,908**	**(527,017)**
Effect of exchange rate changes on cash and cash equivalents	**-**	**748**
Cash and cash equivalents at the beginning of the year	**161,081**	**687,350**
Cash and cash equivalents at the end of the year	**988,989**	**161,081**

(Concluded)

The financial statements were approved by the Board of the Bank on 17 February 2010 and signed on its behalf by:

G.Ugianskis
Chairman of the Board

V. Petraitienė
Chief Accountant

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INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

AB Ūkio bankas following Paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and item 23.5 of the Trading Rules of the Stock Exchange NASDAQ OMX Vilnius discloses its compliance with the Governance Code, approved by the Stock Exchange NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES /NO/ IRRELEVANT	COMMENTARY
Principle I: Basic Provisions		
The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Bank's development strategy and objectives are disclosed to the shareholders in the Bank's annual report, and part of information is placed on the Bank's website.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Bank's Supervisory Council, the Board and Chief Executive Officers make every effort to implement the Bank's strategic objectives and at the same time to increase shareholders' value, and to make conditions for the strengthening of the capital base.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Bank's Supervisory Council acts in close cooperation with the Bank's Board as it helps implement the key and strategic issues of the Bank, approves the Bank's activity plans and supervises all the activities of Board and the Bank's administration. The Bank has set the produce of extending loans whereby the Bank undertakes credit engagements of certain amounts only upon receiving approval of the Supervisory Council. The Bank's Board is responsible for the development of the system allowing to determine, measure, assess and observe the Bank's activity risk. The Bank's Chief Executive Officers submit reports on implemented plans and future works to the Board.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Bank's Supervisory Council, the Board and Chief Executive Officers evaluate the contribution of the Bank's employees in the improvement of the Bank's activities and strengthening of the capital basis, and for this purpose conditions are created for the Bank's employees to advance their professional skills and comprehensively participate in the Bank's activities, the employees are given incentives when they propose innovative ideas concerning the improvement of the bank's operation. Decisions of the Bank's bodies help realize the ideas of our state and city, i.e. the Bank supports events, exhibitions, and invests in the cultural life of the local community.

Principle II: The corporate governance framework

The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	Pursuant to the Lithuanian Republic laws on banks and financial institutions, the Bank, as a credit institution, has set up the Supervisory Council, the Board and elected two Chief Executive Officers.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Board, a collegial management body, performs the functions of the Bank's management, and the Supervisory Council, a collegial supervisory body, supervises the activities of the Board and how efficiently the Board performs its functions.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Irrelevant	The Bank has set up both the Supervisory Council and the Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes/No	Supervisory Council is being established in the Bank. Candidates of the Banks' Supervisory Council are nominated and are being elected in the manner prescribed by the law. The Bank supposes that procedure of setting up the Supervisory Council ensures the representation of interests of the minority shareholders.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Bank's Board comprises 3 (three) members and the Supervisory Council – 5 (five) members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Bank's Supervisory Council is elected for the period of 4 years and the number of terms of office of the Supervisory Council's member is not limited. Pursuant to the currently applicable Articles of Association of the bank as well as practice, the re-election of the same members of the Supervisory Council for the next term of office is not prohibited.

2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Bank's Supervisory Council can conduct independent and impartial supervision.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting

The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of the Supervisory Council ensures objective and fair monitoring of the company's management bodies. The minority shareholders' right and possibility to have their representative in a collegial body is not restricted.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	To become member of the Bank's Supervisory Council or Board the authorization from the Bank of Lithuania has to be obtained therefore all the candidate members meet the requirements for this position. The shareholders are furnished with full information (curriculum vitaes) about the candidates and during the elections possibilities are created for them to ask questions and receive desired information from the candidates.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	No	The Bank supposes that it is sufficient to meet the standards and provisions set in the acts of law of the Republic of Lithuania including the requirement approved by the resolutions of the Bank of Lithuania which indicates that people who are being elected and assigned into senior management have to receive the permission from the Bank of Lithuania.

3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes/No	All the members of the Bank's Supervisory Council and Board possess required qualification. Pursuant to the Bank of Lithuania Board's Resolution No. 105, members of a Bank's Supervisory Council should have higher education, and at least two members of the Board should have a specific education, i.e. higher education in law, management and business administration or economics. The Bank's Supervisory Council and Board include members who are specialists in different fields. The members of AB Ūkio bankas Supervisory Council and Board meet the requirements set by the Bank of Lithuania. The members of Bank's Audit Committee have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. The Committee of Remuneration is not established.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	At the Bank, new members of the collegial bodies are granted the right to be familiarized with all the orders, procedures and policies applicable in the Bank as well as the Bank's organizational structure in order a newly elected member of the collegial body could evaluate the current situation of the Bank and familiarize himself/herself with the bank's activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The Bank supposes that in order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, it is sufficient to meet the standards and provisions set in the acts of law of the Republic of Lithuania. Election of Supervisory Council independent members could not be regulated, because members are elected by general shareholders' meeting and candidates with majority votes are being selected.

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;	No	See commentary on the recommendation 3.6

7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	See commentary on the recommendation 3.6
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	See commentary on the recommendation 3.6
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	See commentary on the recommendation 3.6
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	See commentary on the recommendation 3.6

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Supervisory Council elected at the Bank issues responses and recommendations concerning the company's annual Financial Statements, draft of profit distribution, the company's annual report and activities of the Board and the Bank's management to the general shareholders' meeting, and performs other functions of supervising the activities of the Bank and its management bodies ascribed to the competence of the Supervisory Council.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the data possessed by the Bank all the Supervisory Council's members act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Bank follows this recommendation since the members of the collegial bodies properly perform their functions, i.e. they actively participate in the meetings of the collegial body and devote sufficient time to perform their duties as collegial members.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Bank's collegial body always treats all shareholders impartially and fairly.

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The Bank follows this recommendation because any transactions concluded between the Bank and its shareholders, members of the supervisory or managing bodies and similar are subject to approval of the Supervisory Council or the Board depending on the size of the transaction and the level of members with whom the transaction is concluded.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes/No	The Bank's collegial body is independent in passing decisions that are significant for the Bank's operations and strategy. Members of the collegial body act and pass decisions without an outside influence from the persons who have elected them. The Supervisory Council is independent of the Board. All the committees currently operating at the Bank are provided with all resources to discharge their duties. All the Bank's employees provide required information to the members of the Bank's Supervisory Council in order they could properly execute their functions and deal with the issues pertaining to their competence. The Remuneration Committee is not established in the Bank.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	The Bank has set up the Audit Committee, which exercises the Bank's internal audit control. The Committees of the Nomination and Remuneration are not established, the functions of these committees are handled by the Bank's Supervisory Council.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes/No	The Audit Committee acts in its own right and issues recommendations related to the audit control carried out in the Bank to the Bank's Supervisory Council and the Board. The Committees of the Nomination and Remuneration are not established, the functions of these committees are handled by the Bank's Supervisory Council.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes/No	The Audit Committee is composed of three members. The Committees of the Nomination and Remuneration are not established.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes/No	The authority delegated to the Audit Committee as well as its accounting is set in the Committee's provisions approved by the Supervisory Council.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	The Audit Committee works and holds its meetings in the manner prescribed in this recommendation.

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The Nomination Committee is not established in the Bank.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) Make proposals to the collegial body on suitable	No	The Remuneration Committee is not established in the Bank.

forms of contracts for executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;	Yes	The Bank has set up the Audit Committee, which performs the functions that are established in the Regulations governing the activities of the Bank's Audit Committee and fundamentally do not differ from those indicated in this recommendation.

4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;
5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;
6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.

4.14.6. The audit committee should examine whether the company is following applicable provisions

regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The Bank does not apply any procedures for estimation of Bank's collegial body.

Principle V: The working procedure of the company's collegial bodies

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The Bank implements this recommendation. Regulations of the Bank's Supervisory Council and the Board activities are formulated in the manner prescribed in this recommendation.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The Bank implements this recommendation. See commentary on the recommendation 5.1

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Bank implements this recommendation. See commentary on the recommendation 5.1
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The Bank implements this recommendation. See commentary on the recommendation 5.1

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares comprising the Bank's capital grant equal rights to all holders of the Bank's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Bank publicly informs investors about the rights granted by the new or already issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	As stipulated by the Bank's Articles of Association (paragraphs 14.25, 14.26, 14.27, 14.28), the Bank Board's decisions concerning the investment, transfer, lease (calculated separately for each type of transaction concerning non-current assets whose balance-sheet value is bigger than ½ of the Bank's authorized capital), pledge and mortgage (the total amount of transactions is calculated) of non-current assets whose balance-sheet value is bigger than 1/20 of the Bank's authorized capital; the security and guarantee of performance of other persons' obligations whose amount is bigger than 1/20 of the bank's authorized capital; the acquisition of non-current assets at the price bigger than 1/20 of the Bank's authorized capital must be approved by the general shareholders' meeting.

6.4. Procedures of convening and conducting a general shareholders’ meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders’ meeting should not hinder wide attendance of the shareholders.	Yes	The Bank implements this recommendation because the Company Law of the Republic of Lithuania also ensures equal opportunities for the shareholders to participate in the meeting and the rights and interests of the shareholders are not violated.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders’ meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders’ meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company’s commercial secrets are not revealed.	Yes	All draft resolutions of the shareholders as well as the adopted resolutions of the shareholders are announced to all investors and persons interested in the Bank’s activities via the internet information system of the Stock Exchange in the manner prescribed by law. On its website the Bank places information related to the announcement of the shareholders’ meeting, draft resolutions of the shareholders’ meeting as well as approved resolutions of the shareholders’ meeting. The information in the Banks’ website is published in Lithuanian, English and Russian languages.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders’ meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Bank’s shareholders may exercise their right to participate in the general shareholders’ meeting in person or via a representative if such a person holds a proper Power of Attorney or the Agreement on the transfer of a voting right has been concluded with him/her in the manner prescribed by legislation, the Bank also furnishes the shareholders with the opportunity to vote by completing a general voting baler as provided for in the Company Law.
6.7. With a view to increasing the shareholders’ opportunities to participate effectively at shareholders’ meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Until now there was no need for the Bank to implement this recommendation since there are not many foreign shareholders, who successfully implement their rights of shareholders by delegating their representative to participate in the shareholders’ meeting or voting in advance by completing the voting ballot.

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	

Principle VIII: Company's remuneration policy

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Bank does not prepare a statement of the company's remuneration policy and does not declare it publicly being of the opinion that such information is not to be published. In the scope set by valid requirements, the average salaries are declared in the Bank's annual reports and securities' prospectuses.

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary on the recommendation 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) Remuneration statement should not include commercially sensitive information.	No	See commentary on the recommendation 8.1
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	See commentary on the recommendation 8.1

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or	No	See commentary on the recommendation 8.1

entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	No	See commentary on the recommendation 8.1
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.		
8.13. Shares should not vest for at least three years after their award.	No	Executives of the Bank are not remunerated with share options or any other right to acquire shares.

8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	No	See commentary on the recommendation 8.13
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	No	See commentary on the recommendation 8.1
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	See commentary on the recommendation 8.13

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	See commentaries on the recommendations 8.1 and 8.13

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Bank's management system ensures the protection of the stakeholders' rights. Employees' rights are established and assured by the Labour Code and the Bank's employment contracts with employees. Suppliers, clients and creditors have signed contracts with the Bank and on the basis thereof the Bank endeavours to observe mutual agreements in good faith, which contributes to the Bank's long-term success and good performance results. By supporting education, culture, medicine and sports, and providing other kind of social support the Bank actively participates in the local community's life and is well aware of the importance of social responsibility.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	Labour laws grant the right to the representatives of employees to submit proposals to the Bank concerning work organization, in adoption of key decisions. The Bank does not object to employee participation in the share capital.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The stakeholders are granted access to relevant information.

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The Bank follows this recommendation since information about the Bank's objectives, results etc. is announced on the Bank's website, the public information system of the Exchange, in the Bank's annual reports and securities' prospectuses.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Bank follows this recommendation since information is presented in the Lithuanian and English languages via the system of information disclosure of the Vilnius Stock Exchange simultaneously insofar this is possible. The Stock Exchange places this information on its website and trading system and in this way simultaneous disclosure of information to all is ensured. Furthermore, the Bank announces information only before or after a trading session of the Vilnius Stock Exchange and simultaneously presents it to all the markets where the Bank's securities are traded. The Bank does not disclose information, which might have influence on the price of securities issued by it, in commentaries, interviews or any other manner before such information is publicly announced via the information system of the Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	All information on the Bank's website is placed free of charge in the Lithuanian, English and Russian languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Bank follows this recommendation since it places all the information enumerated in this recommendation on its website.

Principle XI: The selection of the company's auditor

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	The Bank follows this recommendation since an independent company of auditors conducts the audit of the Bank's annual financial statements and report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Bank follows this recommendation since the candidate company of auditors is proposed to the general shareholders' meeting by the company's Supervisory Council even though it can also be proposed by the shareholders or the Bank's Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	So far the auditor's company has not received from the Bank any other income than that for the conducted audit.

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