AB DnB NORD Bankas

CONSOLIDATED ANNUAL REPORT,
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS

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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditors' report to the shareholders of AB DnB NORD Bankas

Report on Financial Statements

We have audited the accompanying financial statements of AB DnB NORD Bankas (hereinafter the Bank) and consolidated financial statements of the Bank together with its subsidiaries (hereinafter the Group), which comprise the statement of financial position as of 31 December 2009, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements

The Bank's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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.

Auditors' 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 as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AB DnB NORD Bankas 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 as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to General Background section, sub-section Going Concern in the financial statements, which discusses the preparation of the financial statements on the going concern assumption basis, and uncertainties in the light of the capital need of AB DnB NORD Bankas and the ongoing evaluation period of the Denmark-based parent of the AB DnB NORD Bankas; Bank DnB NORD A/S.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Bank and the Group taken as a whole. The financial information of the Financial group in Note 40 *Compliance with regulatory requirements* is presented for the purposes of additional analysis and is not a required part of the financial statements mentioned above. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is properly prepared in all material respects in relation to the financial statements taken as whole.

Furthermore, we have read the Group's Consolidated Annual Report for the year ended 31 December 2009 and have not noted any material inconsistencies between the financial information included in it and the Group's financial statements for the year ended 31 December 2009.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis	Ramūnas Bartašius
Auditor's licence	Auditor's license
No. 000003	No. 000362
President	

The audit was completed on 15 March 2010.

AB DnB NORD BANKAS GROUP CONSOLIDATED 2009 ANNUAL REPORT

1. Reporting period covered by this report

This Consolidated Annual Report covers the period from 1 January 2009 to 31 December 2009.

2. The issuer and its contact details

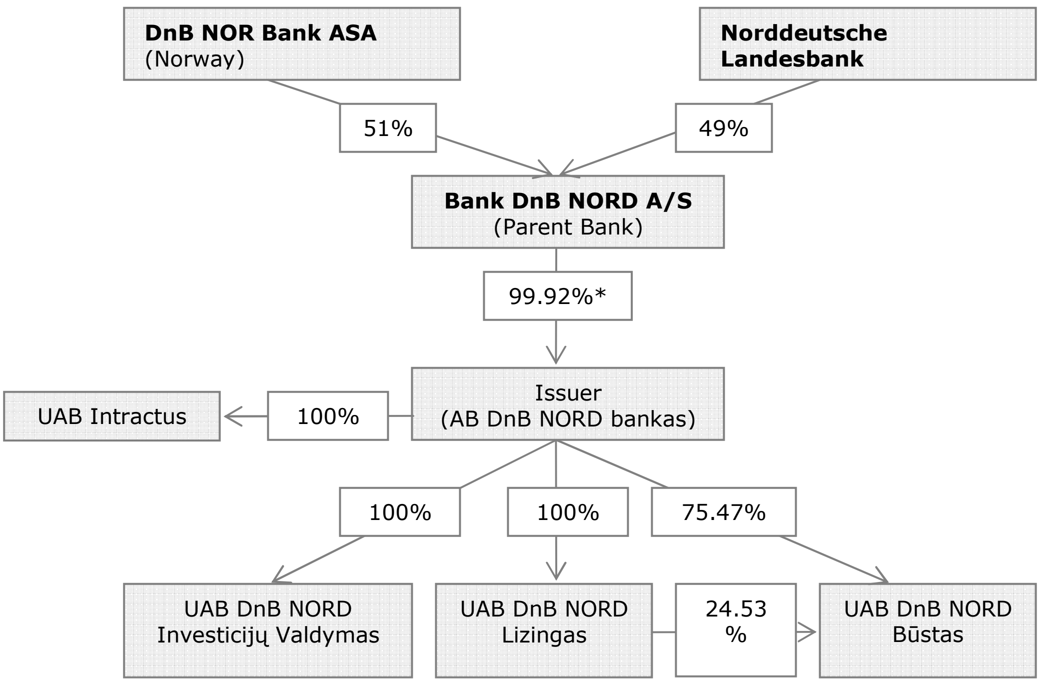
Name of the Issuer	*AB DnB NORD Bankas*
Legal status	Joint stock company
Date and place of registration	Registered with the Bank of Lithuania on 13 September 1993, registration No. 29
Company code	112029270
Office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number	(+370-5) 239 34 44
Fax number	(+370-5) 213 90 57
E-mail	info@dnbnord.lt
Website	www.dnbnord.lt

3. Main activities of the issuer

AB DnB NORD Bankas (hereinafter referred to as the "Bank" or the "Issuer", or "*AB DnB NORD Bankas*") is a universal commercial bank that provides banking services to private and corporate customers. *AB DnB NORD Bankas* is a member of Denmark-based Bank DnB NORD A/S financial group which was established by the Norway's largest bank DnB NOR ASA and North Germany's largest bank Norddeutsche Landesbank Girozentrale (NORD/LB).

As of 31 December 2009 *AB DnB NORD Bankas Group* (hereinafter referred to as "the Group") in Lithuania consisted of *AB DnB NORD Bankas* and its subsidiaries *UAB DnB NORD Investicijų Valdymas, UAB DnB NORD Lizingas, UAB DnB NORD Būstas and UAB Intractus*.

The organization structure of the Group and the Issuer



*On 17 December 2009 Second District Court of Vilnius City satisfied the application of Bank DnB NORD A/S to establish the fact of juridical significance regarding the transfer of ownership rights to 4 371 shares of Issuer to Bank DnB NORD A/S. Upon implementation of this decision the ownership rights to 100 percent of Issuer's shares shall belong to Bank DnB NORD A/S. The process of squeeze-out of Issuer's shares is described in detail in Article 7 of the Consolidated 2009 Annual Report.

AB DnB NORD Bankas is a credit institution holding a license for and is engaged in acceptance of deposits and other repayable funds from unprofessional market participants and lending, as well as provision of other financial services, and assumes the risks and liabilities related thereto.

The Bank shall provide the following financial services:

- taking of deposits and other repayable funds;
- lending (including mortgage loans);
- money transfers;
- issuing of payment cards and other payment vehicles and (or) execution of transactions with them;
- financial lease (leasing);
- issuing of financial indemnities and guarantees;
- trading, on its own account or on account of customers, in money market instruments (cheques, bills, certificates of deposits, etc.), foreign exchange, financial futures and options, foreign exchange and interest rate instruments, public trading securities, precious metals;
- investment services;
- financial brokerage (agent activities);
- cash handling;
- consultancy on credits and payments;
- rent of safe deposit lockers;
- currency exchange (cash);
- safekeeping and administration of monetary funds;
- advice to undertakings on the capital structure, manufacturing strategy and the issues related thereto as well as advice and services related to the reorganization, restructuring and acquisition of undertakings;
- provision of services related to issuance of securities;
- issuance and maintenance of electronic money;
- settlements of credit institutions (clearing);
- administration of investment funds or investment companies with a variable capital.

4. Structure of the authorized capital

As of 20 August 2009, the amended Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities, whereof the authorized capital of the Bank amounts to LTL 656 665 410 (six hundred fifty six million six hundred sixty five thousand four hundred ten). It is divided into 5 710 134 (five million seven hundred ten thousand one hundred thirty four) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each. The share capital has been increased in line with the decision of the ordinary general meeting of shareholders as of 30 March 2009 to increase the authorized capital of the Bank by additional contributions of shareholders by LTL 65 666 610, i.e. from LTL 590 998 800 to LTL 656 665 410 by issue of 571 014 new ordinary registered shares.

From 20 August 2008 until 20 August 2009 the Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities stating that the authorized capital of the Issuer amounted to LTL 590 998 800. It was divided into 5 139 120 ordinary registered shares with LTL 115 par value each.

As of 31 December 2009 the share capital of *AB DnB NORD Bankas* consisted of:

Type and class of shares	ISIN code of securities	Number of issued shares	Nominal value per share, LTL	Aggregate nominal value, LTL	Share in authorized capital, percent
Ordinary registered shares	LT0000100174	5,710,134	115	656,665,410	100.00

The entire authorized capital of the Issuer was paid up and no restrictions other than those provided by the legal acts apply to the shares of the Bank as to their disposal, except the decision of AB NASDAQ OMX Vilnius stock exchange as of 13 November 2009 to suspend trading of Issuer‘s shares from 23 November 2009 (inclusive) considering the on-going progress of the court process concerning establishment of the fact of juridical significance regarding the transfer of ownership rights to 4,371 shares of the Issuer to Bank DnB NORD A/S. The process of squeeze-out of Issuer’s shares is described in detail in Article 7 of the Consolidated 2009 Annual Report.

AB DnB NORD Bankas has not issued any convertible securities.

All the shares of the Issuer are issued for public trading on its own (i. e. neither through the Stock Exchange nor using brokerage services).

As of 31 December 2009 *AB DnB NORD Bankas* did not own its own shares. Over the reporting year *AB DnB NORD Bankas* acquired 7,640 shares (LTL 100 par value each) of its subsidiary *UAB Intractus* that constitutes 100 percent of all *UAB Intractus* shares and the same amount of votes in general meeting of *UAB Intractus* shareholders.
No restrictions other than those provided by the legal acts apply to the securities issues of *AB DnB NORD Bankas* and there are no requirements to receive approval from the Issuer or other holders of securities.

The history of the Issuer's authorized capital formation:

Date	Authorized capital	Increase of the authorized capital	Description
2001	102,839,115	-	
2002	176,585,430	73,746,315	Increase of the authorized capital by additional contributions
2004	195,116,795	18,531,365	Increase of the authorized capital by additional contributions
2005	234,110,020	38,993,225	Increase of the authorized capital by additional contributions
2006	283,396,340	49,286,320	Increase of the authorized capital from undistributed profit
2006	311,735,790	28,339,450	Increase of the authorized capital by additional contributions
2007	363, 691,755	51,955,965	Increase of the authorized capital by additional contributions
2008	590,998,800	227,307,045	Increase of the authorized capital from undistributed profit and additional contributions
2009	656,665,410	65,666,610	Increase of the authorized capital by additional contributions

The Issuer, then operating under AB *Lietuvos žemės ūkio bankas* name, was registered on 13 September 1993 in the Bank of Lithuania. The founder of AB Lietuvos Žemės Ūkio bankas was the Ministry of Finance of the Republic of Lithuania. It owned 51 percent or the outstanding shares of the Bank. The remaining part of the Bank's share capital (49 percent) was owned by natural and legal entities.

At the end of 2001 the State Property Fund (SPF) announced a tender on privatization of *AB Lietuvos žemės ūkio bankas* state owned shares. Germany's bank Norddeutsche Landesbank Girozentrale (NORD/LB) was recognized the winner of the tender. In March 2002 NORD/LB officially took over a 76.01 percent stake of the Bank. At the moment of privatization the registered Bank's share capital amounted to LTL 102,839,115.

In 2002 a new share issue of the Bank was issued which was acquired by NORD/LB. In such a way the Bank's authorized capital was increased to LTL 176,585,430, and the share portfolio held by NORD/LB increased to 93.03 percent. On 2 May 2003 the Register of Legal enterprises registered a new name of the Issuer: AB Bankas NORD/LB Lietuva as well as the new wording of the statute.

In June 2005 the largest shareholder of the Issuer, NORD/LB signed an agreement with the largest Norway's financial service group DnB NOR ASA regarding the establishment of the new bank in the North East Europe. The newly established Bank started its activity on 2 January 2006 under the the name of Bank DnB NORD A/S and its headquarters were set in Copenhagen (Denmark).

NORD/LB formed the capital for the new Bank by selling to the latter its infrastructure, customers across Poland, Latvia, Lithuania, Estonia, Finland and Denmark. On 20 December 2005 NORD/LB transferred to the Norway's bank DnB NOR Bank ASA 51 percent of the shares of the new Bank DnB NORD A/S entitling 51 percent of votes in the general meeting of shareholders and constituting 51 percent of the authorized capital. In such a way Norwegian bank DnB NOR Bank ASA acquired an indirect control over the Issuer. The new name of the Issuer - *AB DnB NORD Bankas* – and the Bank's by-laws regarding the change were registered on 12 May 2006 in the Register of Legal Entities of the Republic of Lithuania.

5. Shareholders

As of 31 December 2009 there were 581 shareholders in *AB DnB NORD Bankas*.

As of 31 December 2009 the following shareholders of the Bank held more than 5 percent of the registered share capital of LTL 656,665,410:

Shareholder	Office address	Type of the company	Code	Number of ordinary registered shares	Share of the authorized capital held and number of votes, percent	
					Owned	With associates
Bank DnB NORD A/S	Dampfaergevej 28, 2100 Copenhagen, Denmark	Bank	28691947	5,705,763	99.92	99.92

On 31 December 2009 other individuals and legal entities owned 4,371 ordinary registered shares of the Bank. That made 0.08 percent of the authorized share capital of the Issuer.

On 17 December 2009 the Second District Court of Vilnius City satisfied the application of Bank DnB NORD A/S to establish the fact of juridical significance regarding the transfer of ownership rights to 4,371 shares of Issuer to Bank DnB NORD A/S. Upon effect and implementation of this decision the ownership rights to 100 percent of Issuer's shares shall belong to Bank DnB NORD A/S. The process of squeeze-out of Issuer's shares is described in detail in Article 7 of the Consolidated Annual Report.

The shareholders of the Issuer shall have the following property rights:

- To receive a share of the profit of the Bank (dividend);
- To receive funds of the Issuer if the authorized capital of the Issuer is decreased on purpose to disburse funds of the Issuer to the shareholders;
- To receive a share of the assets of the Issuer in the event of liquidation;
- To receive shares free of charge when the authorized capital is increased from the Bank's own funds, except in the events stipulated in laws;
- In case the shareholder is a natural person, to devise and bequeath all or any part of the shares to one or several persons;
- To sell or otherwise transfer all or any part of the shares to the ownership of other persons in the procedure and under the conditions prescribed in laws;
- To exercise the pre-emption right in acquisition of the shares or convertible bonds issued by the Issuer unless the General Meeting decides to withdraw the pre-emption right from all the shareholders in the procedure prescribed in laws;
- To lend to the Issuer in the manner prescribed in laws; however, when borrowing from its shareholders, the Issuer shall not pledge its assets to the shareholders. When the Issuer borrows from a shareholder, the interest shall not be higher than the average interest rate offered by commercial banks of the place of residence or business of the lender effective on the date of conclusion of the loan agreement. Thus the Issuer and the shareholders shall be prohibited from negotiating a higher interest rate;
- Other property rights stipulated in laws.

The shareholders of the Issuer shall have the following non-property rights:

- To participate in the General Meetings of Shareholders;
- To cast the votes granted by the shares held in the General Meetings of Shareholder;
- To receive the information about the Bank to the extent specified in the Law on Companies;
- To appeal to the court for the compensation of the damage suffered by the Bank due to the failure to perform the obligations of the President and the Members of the Management Board of the Bank stipulated in laws and the Bylaws of the Bank, or to perform them duly, and in other cases stipulated in laws.
- Other non-property rights stipulated in laws.

Unless otherwise established in laws, the shareholders of the Issuer shall only hold an obligation to pay to the Issuer the issue price for all subscribed shares under the established procedure.

The shareholders of the Issuer shall not have special control rights. No Issuer's restrictions shall apply to the voting rights of the shareholders of the Issuer.

The Issuer is not aware of any reciprocal agreements between the shareholders which might lead to any restrictions on the disposal of the Issuers securities and (or) voting rights.

6. Arrangements that would be enforced, changed or terminated as a result of change in the Issuer's control

As of 31 December 2009 the following ISDA Master Agreements and TBMA/ISMA Global Master Repurchase Agreement, whereby the counterparties thereto have the right to terminate the transactions with the Issuer in case of a change in the Issuer's control, were in force:

- ISDA Master Agreement with UBS Limited dated 13 January 2006;
- ISDA Master Agreement with UBS AG dated 13 January 2006;
- ISDA Master Agreement with Calyon dated 15 November 2007;
- ISDA 2002 Master Agreement with JPMorgan Chase Bank N.A. dated 19 May 2008;
- ISDA Master Agreement with Barclays Bank Plc dated 18 December 2008;
- ISDA 2002 Master Agreement with Deutsche Bank AG dated 19 February 2009;
- ISDA 2002 Master Agreement with BNP Paribas S.A. dated 22 June 2009;
- TBMA/ISMA Global Master Repurchase Agreement with AB SEB Bank dated 29 October 2009.

As of 31 December 2009 the Issuer also had the Finance Contract dated 13 March 2009 with the European Investment Bank, whereby the European Investment Bank has the right to terminate the Finance Contract in case of a change in the Issuer's control if, in the reasonable opinion of the European Investment Bank, such change in the Issuer's control has or is likely to have a material adverse effect on the future repayment of the loan received under the Finance Contract.

As of 31 December 2009 the Issuer had no other significant arrangements that would be enforced, changed or terminated as a result of the change in the Issuer's control.

7. Information on securities listed on regulated markets

AB DnB NORD Bankas shares are admitted to the Additional Trading List on AB NASDAQ OMX Vilnius Stock Exchange. The ISIN code of the Issuer's shares is LT0000100174, the ticker – NDL1L.

As of 31 December 2009 the number of the Bank's shares admitted to the Additional Trading List on AB NASDAQ OMX Vilnius Stock Exchange was 5,710,134 (five million seven hundred and ten thousand one hundred and thirty four). All shares are ordinary registered shares, LTL 115 (one hundred and fifteen) at par value each.

18 February 2009 marked the start of the voluntary non-competitive takeover bid of Bank DnB NORD A/S - the largest shareholder of AB DnB NORD Bankas - to acquire the remaining 324,998 ordinary registered shares of *AB DnB NORD Bankas* (ISIN code LT0000100174). The takeover bid price was set at LTL 125 per ordinary registered share. On 19 March 2009, upon expiry of the voluntary takeover bid, Bank DnB NORD A/S acquired 316,941 ordinary registered shares of *AB DnB NORD Bankas*, LTL 115 at par value each, which represented 6.17 percent of the authorized capital and the number of votes in *AB DnB NORD Bankas*. As a result of the voluntary takeover bid, Bank DnB NORD A/S increased its shareholding in *AB DnB NORD Bankas* up to 99.84 percent.

On 20 April 2009 the largest shareholder of *AB DnB NORD Bankas* - Bank DnB NORD A/S - submitted a notification to the Bank on the squeeze-out of shares. In accordance with Item 2 of Part 4 of Article 37 and Part 5 of Article 37 of the Law on Securities of the Republic of Lithuania, the squeeze-out price offered by Bank DnB NORD A/S for the shares was set at LTL 125 per ordinary registered share of *AB DnB NORD Bankas*, LTL 115 at par value each. During the term of the squeeze-out, e.g. from 23 April 2009 until 21 July 2009, Bank DnB NORD A/S acquired 3 656 shares of *AB DnB NORD Bankas*, and increased its number of shares and voting rights in the Bank up to 99.91 percent.

Acting in accordance with Part 11 of Article 37 of the Law on Securities of the Republic of Lithuania, Bank DnB NORD A/S has made a transfer of funds to the special deposit account in favor of shareholders who have failed to sell their shares, and on 22 July 2009 Bank DnB NORD A/S applied to the court asking to oblige the account managers to make records in securities accounts on transfer of ownership of the shares to Bank DnB NORD A/S from the shareholders who have failed to sell their shares during the implementation of squeeze-out. On 17 December 2009 the Second District Court of Vilnius City satisfied the application of Bank DnB NORD A/S to establish the fact of juridical significance regarding the transfer of ownership rights to 4 371 shares of *AB DnB NORD Bankas* to Bank DnB NORD A/S.

On 28 June 2009 *AB DnB NORD Bankas* completed the placement of new ordinary registered shares issued in accordance with the resolution of the ordinary general meeting of shareholders as of 30 March 2009 on the increase of the authorized capital of the Bank by additional contributions of shareholders, through an issue of 571,014 new ordinary registered shares for the minimum issue price of LTL 125 per ordinary registered share. The total minimum issue price was set at LTL 71,376,750. The issue of 571,014 ordinary registered shares was fully subscribed to. The amended by-laws of the Bank reflecting the increase of authorized share capital of *AB DnB NORD Bankas* up to LTL 656,665,410 were registered with the Register of Legal Entities on 20 August 2009.

In 2009 the reserve capital of *AB DnB NORD Bankas* was increased in total by EUR 55 million (LTL 189.9 million) in monetary contributions of the Bank's largest shareholder - Bank DnB NORD A/S – within a framework of consistent strengthening of the Bank's capital base.

AB DnB NORD Bankas stock capitalization and turnover in 2006-2009

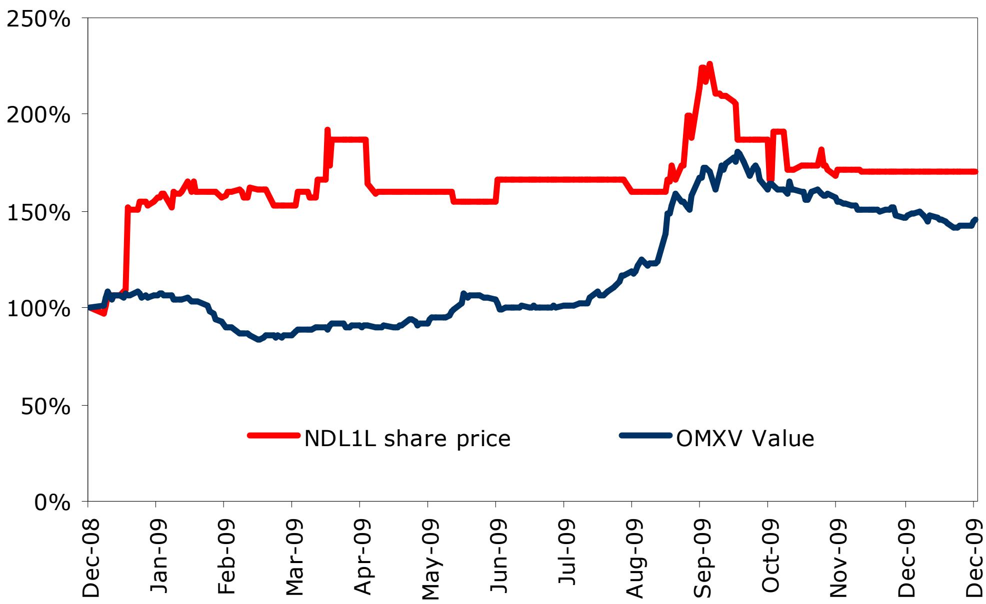
Reporting period		Capitalization, e-o-p, LTL	Turnover, LTL
Beginning	End		
01 01 2006	31 03 2006	938,953,682	2,080,660
01 04 2006	30 06 2006	936,440,080	1,180,720
01 07 2006	30 09 2006	985,726,400	2,073,739
01 10 2006	31 12 2006	1,181,885,256	1,141,992
01 01 2007	31 03 2007	1,124,959,590	1,516,554
01 04 2007	30 06 2007	1,423,141,650	7,388,564
01 07 2007	30 09 2007	1,391,516,280	1,685,929
01 10 2007	31 12 2007	1,375,703,595	7,350,709
01 01 2008	31 03 2008	1,589,174,340	1,113,873
01 04 2008	30 06 2008	1,446,860,220	6,419,944
01 07 2008	30 09 2008	1,027,824,000	4,231,287
01 10 2008	31 12 2008	385,434,000	359,628
01 01 2009	31 03 2009	606,416,160	260,078
01 04 2009	30 06 2009	642,390,000	14,363
01 07 2009	30 09 2009	799,418,760	90,721
01 10 2009	31 12 2009	730,897,152	23,358

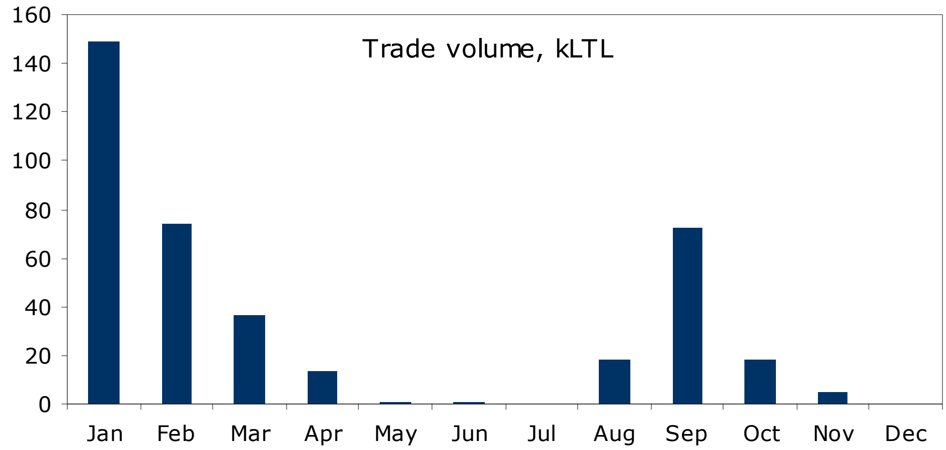
AB DnB NORD Bankas share price and NASDAQ OMX Vilnius annual changes in 2006-2009

Reporting period	Share price*						NASDAQ OMX Vilnius		
	Beginning of period, LTL	End of period, LTL	Change, pct.	Low, LTL	High, LTL	Average, LTL	Beginning of period, LTL	End of period, LTL	Change,%
2006	266.67	290.67	9	223.3	290.7	259.24	448.76	492.65	9.78
2007	290.67	290	-0.23	260	333.3	292.79	492.65	514.23	4.38
2008	290	75	-74.2	72	303.3	280.37	514.23	179.25	-65.14
2009	75	128	70.67	73	170	119.14	179.25	261.77	46.04

NOTE. The share price is recalculated in accordance with article 3.2.4 of Annex 3 to the VSE Trading Rules (decision to increase the authorized capital out of the funds of the company by a pro rata increase in the number of the shares held by each shareholder).

AB DnB NORD Bankas share price (30.12.2008-30.12.2009) and trade turnover in 2009:





Source: NASDAQ OMX Vilnius

As on 31 December 2009 the following debt securities of *AB DnB NORD Bankas* were listed on regulated markets:

Name of securities (ISIN code)	Regulated market	Number of securities	Nominal value per unit	Aggregate nominal value	Maturity
Fixed rate note issue No. 7/2008 (LT0000402406)	NASDAQ OMX Vilnius Stock Exchange list of debt securities	129,003	100 (LTL)	12,900,300 (LTL)	15 11 2010
Zero coupon note issue No. 1/2009 (LT0000401895)	NASDAQ OMX Vilnius Stock Exchange list of debt securities	26,048	1100 (LTL)	28,652,800 (LTL)	24 02 2010
Zero coupon note issue No. 2/2009 (LT0000401978)	NASDAQ OMX Vilnius Stock Exchange list of debt securities	602,329	100 (LTL)	60,232,900 (LTL)	07 06 2010
Zero coupon note issue No. 3/2009 (LT0000410094)	NASDAQ OMX Vilnius Stock Exchange list of debt securities	236 426	100 (LTL)	23 642 600 (LTL)	05 10 2010
Zero coupon note issue No. 4/2009 (LV0000800811)	NASDAQ OMX Riga Stock Exchange list of debt securities	12 281	1 000 (LVL)	12 281 000 (LVL)	23 04 2010

Securities of the other Issuer's Group companies are not traded on regulated markets.

The Issuer is engaged in public trading brokerage activities; relevant transactions are performed by the Investment Banking Departments of the Bank.

8. Main characteristics of debt securities issued for public trading

As of 31 December 2009 the par value of debt securities issued by *AB DnB NORD Bankas* for public trading constituted LTL 898.1 million.

All Issuer's debt securities for public trading were made available for public trading during the issues. No restrictions apply to those securities as to their negotiability. All these securities are non-convertible.

The main characteristics of the debt securities issued by the Issuer are provided in annex No 1 of this Consolidated 2009 Annual Report.

9. Information on relevant agreements with related parties

Information on relevant agreements with related parties are provided in Note 38 of the Financial Statements of the Consolidated 2009 Annual Report.

10. Material events over the reporting period

AB DnB NORD Bankas Group announced the following material events that took place in 2009:

On 15 January 2009 AB *DnB NORD Bankas* announced that on 14 January 2009 it was notified by Bank DnB NORD A/S (hereinafter the Offeror) that as of 8 January 2009, the Offeror's Board of Directors resolved to announce a voluntary takeover bid to acquire all the remaining 324,998 ordinary registered shares of the Issuer, at a price of 125 LTL per ordinary registered share, on the condition that the Offeror acquires at least 292,499 shares.

On 12 February 2009 *AB DnB NORD Bankas* announced that on 16 March 2009 the extraordinary general meeting of shareholders of *AB DnB NORD Bankas* shall be convened. The meeting was called on the initiative and by the resolution of the Management Board of the Bank to elect a member to the Supervisory Council of the Bank. It offered to propose to the extraordinary shareholders meeting to elect to the Bank's six-member Supervisory Council Thomas Stephan Buerkle, who took the post of the Chief Executive Officer of Denmark based DnB NORD financial group on 2 February 2009.

On 12 February 2009 AB DnB NORD Bankas announced preliminary 2008 financial result.

On 12 February 2009 *AB DnB NORD Bankas* informed that on 11 February 2009 the Securities Commission of the Republic of Lithuania approved the circular of the voluntary non-competitive takeover bid of Bank DnB NORD A/S (Denmark) - the largest shareholder of *AB DnB NORD Bankas* - seeking to acquire all the remaining 324,998 ordinary registered shares of *AB DnB NORD Bankas*.

On 25 February 2009 *AB DnB NORD Bankas* announced about the convention of the ordinary general meeting of shareholders to be held on 30 March 2009 and presented its agenda.

On 27 February 2009 *AB DnB NORD Bankas* presented 2008 annual information that consisted of audited separate and consolidated financial statements, consolidated annual report assessed by the auditors and confirmation of responsible persons. These documents were approved by the Management Board of *AB DnB NORD Bankas to* be presented for the approval of ordinary general meeting of shareholders to be held on 30 March 2009. The presented audited *AB DnB NORD Bankas* and the Bank's group 2008 financial result did not differ from preliminary result reported on 12 February 2009.

On 4 March 2009 *AB DnB NORD Bankas* announced draft resolution of extraordinary general meeting of shareholders.

On 6 March 2009 *AB DnB NORD Bankas* announced that on the 5 of March, 2009, the Securities Commission of the Republic of Lithuania approved (certificate number 4R - 8) Annex No1 of Base Prospectus of EUR 300,000, 000 Medium-Term Note Programme of *AB DnB NORD Bankas* The Prospectus itself was approved on the 2 October, 2008. The Amendment of Base Prospectus contained the amended information on the procedure of the capital gain taxation as prescribed in the amended Individual Income Tax Law and in the amended Health Insurance Law. It also detailed the issue cancellation risk.

On 16 March 2009 the extraordinary general meeting of shareholders of *AB DnB NORD Bankas* resolved, that considering the fact that the member of the Supervisory Council Sven Herlyn resigned from the office of the member of the Supervisory Council as of 16 March 2009, to elect Thomas Stephan Buerkle to the Supervisory Council until expiry of the term of office of the current Supervisory Council.

On 18 March 2009 the meeting of the Supervisory Council of *AB DnB NORD Bankas* elected Thomas Stephan Buerkle as its chairman. The meeting also elected Fredrik Johannes Borch as a member of the Bank's management Board.

On 19 March 2009 the Management Board of *AB DnB NORD Bankas* decided to supplement the agenda of the ordinary general meeting of shareholders to be held on 30 March 2009 with the draft resolution to elect two members of the Supervisory Council.

On 20 March 2009 *AB DnB NORD Bankas* presented draft resolutions of the ordinary general meeting of shareholders to be held on 30 March 2009.

On 25 March 2009 *AB DnB NORD Bankas* received a report on the execution of the voluntary takeover bid of Bank DnB NORD A/S (Denmark). Through the implementation of the voluntary takeover bid Bank DnB NORD A/S acquired 316,941 ordinary registered shares of *AB DnB NORD Bankas*, with nominal value of LTL 115 each (ISIN code LT0000100174), which represented 6.17 percent of the authorized capital and number of votes in *AB DnB*

NORD Bankas. Following the implementation of the voluntary takeover bid Bank DnB NORD A/S increased its shareholding in *AB DnB NORD Bankas* up to 99.84 percent.

<u>On 30 March 2009 at the ordinary general meeting of shareholders of *AB DnB NORD Bankas* adopted the following resolutions:</u>

1. to approve 2008 Consolidated Annual Report of the Bank;
2. to approve separate and consolidated financial statements of the Bank of 2008;
3. to approve the distribution of the profit (loss) of the Bank. It was decided to transfer the 2008 net profit of LTL 70.737 million to the Bank's distributable profit of LTL 70.741 following the revaluation of reserve of the fixed assets by the amount of LTL 4 thousand, that was ascribed to disposed of or fully depreciated fixed assets and transfer this amount to retained earnings. To use part of the distributable profit in the amount of LTL 3.537 million for compulsory deductions to mandatory reserve. To transfer the remaining amount of LTL 67.204 million in retained earnings to the next financial year;
4. to approve the remuneration terms for the attendance of Supervisory Council meetings and other expenses related to the participation in the meetings in 2009 to the independent members of the Supervisory Council of the Bank only;
5. to elect close stock company „Ernst & Young Baltic“ as an audit firm to perform audit of the annual financial statements of the Bank for the year 2009 and to authorize the president of the Bank to establish the terms and conditions of the Agreement on auditing services according the remuneration terms established by the shareholders' meeting.
6. to elect Juergen Machalett and Andreas Fichelscher to the Supervisory Council of the Bank until expiry of the term of office of the current Supervisory Council and to establish that the newly elected members will start the office following the receipt of the permission from the Bank of Lithuania to become managers of the Bank. The newly elected members of the Supervisory Council, who represent the ultimate shareholder of the Bank - Germany's bank Norddeutsche Landesbank Girozentrale -, will replace Dr. Juergen Allerkamp and Georg Christoph Schulz who resigned from their positions on the Supervisory Council on 30 March 2009.
7. to revoke the resolutions passed by the Extraordinary General Meeting of Shareholders of the Bank on 29 September 2008 to increase the authorized capital of the bank by additional contributions of shareholders and to amend the bylaws of the bank and to increase the authorized capital of the Bank by additional contributions of shareholders by LTL 65,666,610, i.e. from LTL 590,998,800 to LTL 656,665,410, by issue of 571,014 new ordinary registered shares with par value of LTL 115 each and minimum issue price of each share - LTL 125.

   Minimum issue price of all issued shares was set at LTL 71,376,750. To establish that the newly issued shares shall be paid up in monetary contributions. The newly issued shares shall be subscribed by the shareholders of the Bank which were shareholders of the Bank on the end of the tenth business day following this ordinary general meeting of shareholders. Subscription and allotment of shares shall take 25 calendar days. Other terms and conditions of the share issue shall be established in the Share Prospectus of the Bank. Should any shares remain unsubscribed upon expiry of the share subscription period, the authorized capital of the Bank shall be increased by the aggregate amount of the par value of the shares subscribed. The aim of the increase of the authorized capital of the Bank is to ensure the further balanced growth of the Bank's business.
8. to amend the wording of III chapter 3.5 article of the Bylaws of the *AB DnB NORD Bankas* and to word it as follows:

"3.5. The authorized capital of the Bank shall be the par value of all registered shares. The authorized capital of the Bank shall be LTL 656 665 410 (six hundred fifty six million six hundred sixty five thousand four hundred ten Litas), it shall be divided into 5 710 134 (five million seven hundred and ten thousand one hundred and thirty four) ordinary registered shares. The par value of a share shall be LTL 115 (one hundred and fifteen Litas)."

To amend the wording of VIII chapter 8.9 article of the Bylaws of the *AB DnB NORD Bankas* and to word it as follows:
"8.9. Any meeting of the Management Board shall be deemed held and the Management Board may take decision therein when more than 2/3 of the Management Board Members participate in the meeting of the Management Board. Any Member of the Management Board may express his/her will to vote for or against the discussed decision, upon scrutiny of the draft thereof, by a written vote in advance. The Management Board Members who have voted in advance shall be deemed to participate in the meeting. The decision of the Management Board shall be deemed taken when more than a half of the elected Management Board Members vote for it. Decisions of the Management Board may also be taken by circulation of the voting ballot among the Management Board Members if none of the Management Board Members objects to such procedure. Each Member of the Management Board shall have one vote. In the event of a tie vote, the Chairman of the Management Board shall have the casting vote. Should, in case of a tie vote, the Chairman of the Management Board not participate in the meeting or not participate in the voting on the decision, the decision shall be deemed not taken. The voting by the terminal equipment of telecommunications shall be equivalent to the voting in writing provided that the confidentiality of the communications is guaranteed and there are means for the verification of the signature. The Management Board Member shall have no right to vote on the issue related to his/her work on the Management Board or the issue of his/her liability."

On 30 March 2009 *AB DnB NORD Bankas* presented 2008 annual information that consisted of audited separate and consolidated financial statements, consolidated annual report assessed by the auditors and confirmation of responsible persons. These documents were approved at the ordinary general meeting of shareholders of *AB DnB NORD Bankas* held on 30 March 2009. The documents approved by the shareholders do not differ from audited 2008 annual information of *AB DnB NORD Bankas* presented on 27 February 2009.

On 9 April 2009 FitchRatings agency affirmed *AB DnB NORD Bankas* long-term issuer's default rating A, short term issuer's default rating F1, individual rating C/D and the support rating 1. The agency revised its *AB DnB NORD Bankas* long-term issuer's default rating outlook to negative from stable following the downgrade of the long-term foreign currency issuer default rating for the Republic of Lithuania to BBB/Negative outlook on 8 April 2009.

On 16 April 2009 ratings agency FitchRatings changed the individual rating of *AB DnB NORD Bankas* to D/E from C/D and affirmed its long-term issuer's default rating A/Outlook negative, short term issuer's default rating F1 and the support rating 1. According to Fitch Ratings, "the downgrades of the individual ratings of all rated Baltic subsidiaries of Nordic banks reflect the rapid deterioration in the operating environment in Estonia, Lithuania and Latvia."

On 20 April 2009 *AB DnB NORD Bankas* informed that on 20 April 2009 the largest shareholder of the Issuer - Bank DnB NORD A/S submitted to the Issuer the notification on the squeeze-out of the shares. The squeeze-out price offered by the Bank DnB NORD A/S for the shares amounted to LTL 125 per 1 ordinary registered share of the Issuer with nominal value of LTL 115 each. The offered price was established in accordance with Item 2 of Part 4 of Article 37 and Part 5 of Article 37 of the Law on Securities of the Republic of Lithuania. IT was notified that the process will start on 23 April 2009 and will last 9 days, that is until 21 July 2009 (inclusive).

On 22 April 2009 *AB DnB NORD Bankas* informed that *AB DnB NORD Bankas*, acting in accordance with Part 9 of Article 37 of the Law on Securities of the Republic of Lithuania, published a notification on the squeeze-out of the shares in the daily newspaper Lietuvos rytas on 22 April 2009. Thus the implementation of the squeeze-out commenced on 23 April 2009 and shall last for 90 (ninety) days, that is, until 21 July 2009 (inclusive).

On 6 May 2009 *AB DnB NORD Bankas* announced its preliminary result for the first quarter of 2009. According to preliminary data *AB DnB NORD Bankas* earned a pre-tax operating profit before provisions of LTL 57.7 million (EUR 16.7 million) in the first three months of 2009. Taking into consideration negative impact of sharp economic downturn in the past six months, the bank continued to pursue a very conservative customer risk valuation approach and made LTL 106 million (EUR 30.7 million) in provisions in the first quarter of 2009. As a result *AB DnB NORD Bankas* recorded a LTL 48.3 million (EUR 14 million) loss in the first three months of 2009.
In the first quarter of 2009 the bulk of provisions were made on loans granted to small and medium size companies operating in real estate, construction and transport sectors.

On 28 May 2009 *AB DnB NORD Bankas* informed, that the management board member Sigitas Žutautas notified the supervisory council and management board of *AB DnB NORD Bankas* regarding his decision to accept the proposal to take a leading managerial role in another non-banking financial institution. He continued to carry out his duties in *AB DnB NORD Bankas* until 12 June 2009 (inclusive). Starting 13 June until a new management board member in charge of the bank's retail business is appointed.

On 28 May 2009 *AB DnB NORD Bankas* group and bank interim condensed financial information for the first quarter of 2009 was presented.

On 1 June 2009 *AB DnB NORD Bankas* informed that on 28 May 2009 the Securities Commission of the Republic of Lithuania approved a share issue prospectus (Statement of Approval No. 4R-11), which defined the terms and conditions of issue of new 571,014 ordinary registered shares of *AB DnB NORD Bankas* in line with the resolution of the Bank's shareholders meeting held on 30 March 2009.

On 3 June 2009 *AB DnB NORD Bankas* informed that on 4 June will start placement of an issue of new 571 014 ordinary registered shares of *AB DnB NORD Bankas* by additional contribution of shareholders. The issue price of each newly issued share with par value of LTL 115 will be set at LTL 125.The nominal value of the total share issue is LTL 65,666,610 and total issue price was set LTL 71,376,750. Pursuant to the share issue prospectus approved by the Securities Commission of the Republic of Lithuania on 28 May 2009 (Statement of Approval No. 4R-11), the Bank offered the persons who were the shareholders of the Bank on 14 April 2009 to acquire the issued shares on the pre-emptive basis. It was established that the placement will take 25 days in two stages.

On 29 June 2009 *AB DnB NORD Bankas* informed that on 28 June *2009 AB DnB NORD Bankas* completed placement of the new ordinary registered share issue according to the share issue prospectus approved by the Securities Commission of the Republic of Lithuania on 28 May 2009 (Statement of Approval No.4R-11). During the two share placement stages the whole issue of 571,014 ordinary registered shares have been subscribed to. The par value of all subscribed shares of the Bank amounted to LTL 65,666,610. The issue price of all the shares subscribed was LTL 71,376,750 as the issue price of each share with LTL 115 par value was LTL 125. All newly issued shares were fully paid and the permission of Bank of Lithuania was granted to register the amandements to the Bank's By-laws related to the increase of the Bank's authorized share capital to LTL 656,665,410.

On 1 July 2009 *AB DnB NORD Bankas* notified that on 30 June 2009 the Bank's reserve capital increased by EUR 10 million (LTL 34.5 million). The Bank's reserve capital was increased by monetary contribution of the Bank's largest shareholder Bank DnB NORD A/S aimed at further consistent strengthening of the Bank's capital base.

On 10 July 2009 *AB DnB NORD Bankas* announced preliminary result for the first six months of 2009.

On 13 July 2009 *AB DnB NORD Bankas* notified that the Management Board of the Bank decided to establish a subsidiary of *AB DnB NORD Bankas*. The newly established subsidiary shall be a limited liability company 100 percent owned by the Bank and shall operate under the name of *UAB Intractus*. The objective for the establishment of the subsidiary - preparation for the efficient management of real estate assets.

On 23 July 2009 *AB DnB NORD Bankas* notified, that the squeeze-out of shares *of AB DnB NORD Bankas* ended on 21 July 2009. During the squeeze-out the largest shareholder of the bank, Bank DnB NORD A/S, acquired 3,656 ordinary registered shares of *AB DnB NORD Bankas* and increased its number of shares and voting rights in the Bank up to 99.91 percent. Acting in accordance with Part 11 of Article 37 of the Law on Securities of the Republic of Lithuania, Bank DnB NORD A/S has made a transfer of funds to the special deposit account in favor of shareholders who have failed to sell their shares and applied to the court asking to oblige the account managers to make records in securities accounts on transfer of ownership of the shares to Bank DnB NORD A/S from the shareholders who have failed to sell their shares during the implementation of squeeze-out.

On 20 August 2009 amended Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities. The amended Bylaws of the Bank provide that the authorized share capital of the Bank is LTL 656,665,410 (six hundred fifty six million six hundred sixty five thousand four hundred and ten litas) and is divided into 5,710,134 (five million seven hundred and ten thousand one hundred thirty four) ordinary registered shares with LTL 115 (one hundred and fifteen litas) par value each. The Articles 8.9 of Section VIII of the Bylaws were also amended with respect to change of the method of adopting decisions of the Board: the decision of the Board shall be adopted if more than a half of elected Board members vote for it are received. The Bylaws of the Bank were amended in line with the resolution of the ordinary general meeting of shareholders as of 30 March 2009.

On 28 August 2009 *AB DnB NORD Bankas* presented interim unaudited information for the first six months of 2009 consisting of unaudited report for the first six months of 2009, unaudited interim condensed financial information prepared in accordance with International Financial Reporting Standards and confirmation of responsible persons.

On 9 September 2009 *AB DnB NORD Bankas* announced that on 8 September 2009 the Supervisory Council of *AB DnB NORD Bankas* elected Šarūnas Nedzinskas as a member of the Management Board of the Bank. On the six-member Management Board Šarūnas Nedzinskas (born 1968) was put in charge of further development of the Bank's retail business.

On 7 October 2009 *AB DnB NORD Bankas* submitted an application to AB NASDAQ OMX Vilnius for listing of LTL 23,642,600 par value note issue (ISIN code LT0000410094) on the stock exchange's Bond List.

On 22 October 2009 *AB DnB NORD Bankas* announced preliminary result for the first nine months of 2009

On 28 October 2009 *AB DnB NORD Bankas* announced that on 27 October 2009 *AB DnB NORD Bankas* submitted an application to NASDAQ OMX Riga for listing of LVL 12,281,000 par value note issue (ISIN code LV0000800811) on the the NASDAQ OMX Riga Bond List.

On 23 November 2009 *AB DnB NORD Bankas* notified that members of AB DnB NORD Bankas Supervisory Council Antanas Juozas Zabulis and Viktoras Valentukevičius have resigned from their duties of members of the Supervisory Council of *AB DnB NORD Bankas* from 23 November 2009 due to the intended optimization of structure of *AB DnB NORD Bankas* Supervisory Council.

On 24 November 2009 *AB DnB NORD Bankas* notified that on 24 November 2009, the member of the Management Board and Executive Vice-president of *AB DnB NORD Bankas* dr. Jekaterina Titarenko has been appointed as Chief Financial Officer of Bank DnB NORD Group. She was also appointed as a member of Bank DnB NORD Group Executive Committee. Following the appointment that came into effect from 4 December 2009, dr. Jekaterina Titarenko resigned from her position of member of the Management Board and Executive Vice-president of *AB DnB NORD Bankas* in Lithuania.

On 27 November 2009 *AB DnB NORD Bankas* group and bank presented interim unaudited condensed financial information for the first nine months nine months of 2009 prepared in accordance with International Financial Reporting Standards and confirmed by the management.

On 15 December 2009 *AB DnB NORD Bankas* notified that the Bank's reserve capital was raised by EUR 30 million (LTL 103.6 million). The Bank's reserve capital was increased by monetary contribution of the Bank's largest shareholder Bank DnB NORD A/S and aimed at further consistent strengthening of the Bank's capital base.

On 18 December 2009 *AB DnB NORD Bankas* notified that on 17 December 2009 the Second District Court of Vilnius City satisfied the application of Bank DnB NORD A/S to establish the fact of juridical significance regarding the transfer of ownership rights to 4 371 shares of *AB DnB NORD Bankas* to Bank DnB NORD A/S.

Full information on material events related with the Issuer’s activities is presented to the Lithuanian Securities Commission, AB NASDAQ OMX Vilnius Stock Exchange, Central storage facility, the daily “Lietuvos Rytas”, news agencies BNS and ELTA and available on the Bank’s website www.dnbnord.lt.

11. Information on performance results

In the adverse economic environment characterized by a sharp decline of Lithuania’s gross domestic product, increased number of corporate bankruptcies that also negatively affected labor market and disposable household income*, AB DnB NORD Bankas Group* maintained its strong position among the country’s top three banking institutions, continued to lead the country’s investment products market and sustained the top creditworthiness rating in the local banking industry.

The concentrated focus on operating efficiency through streamlining measures, strict cost control and the ability to exploit emerging business opportunities in the recession-stricken economy helped *AB DnB NORD Bankas Group* to record growing income trend that eased the negative impact of the increased risk costs on the Group’s full year 2009 result. With solid backing of strong shareholders and their long-term commitment to the Lithuanian market *AB DnB NORD Bankas Group* maintained solid capital and liquidity positions throughout the reporting period. To ensure balanced performance of the Group in the recession affected economy, the Bank’s shareholders invested EUR 55 million (LTL 189.9 million) to the Bank’s reserve also acquiring the new share issue for LTL 71.4 million.

With customer risks remaining high throughout the reporting year *AB DnB NORD Bankas Group* set its focus on credit risk management establishing the structures and processes needed. The Group enhanced the Loan restructuring department as well as the Special Assets Department in a quantitative and qualitative way, introduced standard models for loan restructuring with an aim to minimize the risks arising by acting fast and adequately.

In 2009 *AB DnB NORD Bankas Group* signed LTL 969 million of new loan agreements, however with credit demand declining and a smaller number of projects that met credit risk criteria in the adverse economic environment, the Group's net loan portfolio decreased by 10.0 percent year-on-year to LTL 10.1 billion as at the end of the reporting year. The Bank's individual customer loan portfolio decreased 7.1 percent year-on-year to LTL 4.8 billion while the loan portfolio to legal entitiies decreased 12.4 percent year-on-year to LTL 5.3 billion. Reflecting the loan portfolio trend, the Group's assets declined 11.8 percent year-on year or by LTL 1.6 billion to LTL 12.3 billion as at the end of the reporting period.

Customers' savings and investments at *AB DnB NORD Bankas Group* stood at LTL 4.2 billion as at the end of December 2009, of which issued debt securities amounted to LTL 0.8 billion and customers' deposits made LTL 3.4 billion as the Bank offered an attractive investment option to institutional and private investors placing fixed rate one year government bonds worth LTL 1.11 billion (EUR 322.4 million) at par on the secondary market during the year.

Lifted by particularly strong income from operations with securities, derivatives and foreign currency *AB DnB NORD Bankas* Group 2009 net income increased 13.5 percent year-on-year to 444.3 million in the reporting year. Net interest income of LTL 276.3 million earned by the Group in 2009 made the largest relative weight of 62.2 percent. The net interest income decrease 10.4 percent year-on-year in 2009. The Group earned LTL 168.0 million in non-interest income in 2009, the amount twice bigger compared to the 2008 result. Non-interest income accounted for 37.8 percent of total net operating income.

AB DnB NORD Bankas Group earned a pre-tax operating profit before provisions of LTL 247.1 million in 2009, a 35.2 percent rise compared to the year before period. Taking into account a negative impact of a sharp macro economic downturn on Lithuania's real economy, the Bank continued to pursue a conservative customer risk valuation and provisioned LTL 681.7 million in 2009. As a result *AB DnB NORD Bankas* recorded a net loss of 406.9 million in 2009. The bulk of provisions made in 2009, were set aside on loans extended to customers operating in real estate development, construction and transport sectors.

The negative impact of declining economy on the operating result the Group offset somewhat through growth of the Bank's income, tight spending control, constant efforts to streamline the Bank's business lines and further improvement of operating efficiency. Over the 2009 the operating and other expenses of the Group were decreased by LTL 11.4 million to LTL 197.2 million The constant focus on operating efficiency and productivity resulted in a *AB DnB NORD Bankas Group* cost/income ratio of 40.3 percent, the Group's best ever so far.

Year	**2006**		**2007**		**2008**		**2009**	
	Group	Bank	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	15.0	15.2	17.8	18.0	7.9	8.2	-47.0	-46.1
Cost/income ratio (percent)	62.1	60.9	51.9	50.5	50.9	49.7	40.3	38.9

AB DnB NORD Bankas Group strongly believes that during periods of economic downturn, customers more than ever need financial advice and professional service and it must offer them the best possible guidance to ensure their further success and the success of the Bank's business. Therefore in 2009 *AB DnB NORD Bankas* launched an important initiative – to become a Financial Guide to its customers. This means that *AB DnB NORD Bankas* customer should first of all expect that he will be carefully listened to and offered several options according to individual financial circumstances. Having a clear understanding of advantages and disadvantages of each option the person then will be well positioned to make a beneficial choice for today and the future. This is a long-term business initiative based on confidence and responsibility that is a must for each employee of *AB DnB NORD Bankas Group.* As a result the number of *AB DnB NORD Bankas* Group customers rose by 47 thousand to 671 thousand in 2009.

To ensure appropriate service level *AB DnB NORD Bankas* measured the fulfillment of its Customer Service and Sales Standards and the delivery of the newly introduced Financial Guide client promise several times per year. The latest Mystery Shopping Survey carried out in December 2009 unveiled the Bank achieved the best result ever (93 percent) also reaching the annual strategic target of 90 percent. That has been achieved due to the responsible attitude of the employees of the Bank towards customer service quality and illustrates that the managers of *AB DnB NORD Bankas Group* do their best to focus their team on servicing customers in the best possible manner. Following the findings of the survey the Bank will focus on sustaining the excellent result and improvement of the weaker aspects with the aim to keep the promise to its customers and maintain the targeted Customer Service and Sales Standards.

The firm intention of *AB DnB NORD Bankas* is to continue concentrating on providing customers with comprehensive financial advice and guidance in order to fulfill the Bank's client promise to boost eventually cross-selling of various products and make more customers choose *AB DnB NORD Bankas* as their home bank.

Retail banking

The Bank offers the following services to individual customers: bank accounts in litas and foreign currencies, cumulative deposits in litas and foreign currencies, term deposits in Litas and foreign currencies, universal deposits in litas and foreign currencies, mortgage loans, consumer credits, private credits, local and international transfers, MasterCard and VISA payment cards of international organizations, acceptance of bank cheques and traveller's cheques (American Express, Thomas Cook, Swiss Bankers), cash exchange services, cash operations, individual safe lease services, financial brokerage services, electronic banking services, leasing services and investment products.

In the year 2009 the Bank continued to pay prime attention to customer service quality and culture, the streamlining and installation of processes that allow respond fast to changing customer needs with efforts paid to increase the Bank's brand name and product awareness. As a result the number of *AB DnB NORD Bankas* private customers rose by 45.3 thousand to 617.7 thousand.
<u>To provide high quality financial services to customers in the reporting year the Bank launched new services and products and continued developing the existing ones:</u>

- introduced children's program, which contains children's deposit, long-term universal deposit, youth card, children's life insurance, student travel insurance;
- introduced a package of services for seniors with the opportunity to fill the request for SODRA to transfer pension to a Bank account or card;
- offered a new kind of term deposit Deposit Plan 3,6,12 ;
- carried out Basketball Deposit ™ and Fast interest deposit campaigns;
- introduced a savings plan Money Factory;
- organized currency exchange campaign for British pound and Scandinavian currencies;
- organized a 3-rd pillar pension sales campaign;
- introduced a new product in the Lithuanian market - DnB NORD gift card;
- introduced individualized design payment cards
- renewed service package for Gold card holders
- offered alternative savings option by actively distributing government bonds;
- activated the concluding of direct debit agreements and utility collection agreements with companies;
- organized a salary transfer campaign, offering additional discounts for clients;
- started extending state-backed loans to finace the studies of students;
- improved further customer service programmes that allow finding out and meeting customers' needs more efficiently;
- developed Customer relationship management system;
- upgraded further Electronic decision support system, which computerized granting of credit limits for paying card accounts;
- organized other product sales promotion campaigns for retail customers;

In 2009 *AB DnB NORD Bankas* continued collaboration with UAB DK PZU Lietuva and UAB DK PZU Lietuva Gyvybės Draudimas and also with Vital Forsikring ASA branch "Vital Life". In December 2009 *AB DnB NORD Bankas* signed long-term life insurance products distribution agreement with ERGO insurance group company UAB "ERGO gyvybės draudimas". In December 2009 ERGO insurance group signed an agreement with Vital Forsikring ASA to overtake Vital Forsikring ASA Lithuanian branch "Vital Life" insurance operations.
<u>During the year 2009 *AB DnB NORD Bankas* actively distributed insurance products and achieved the following results:</u>

- over 72 percent of new mortgage borrowers were insured with property insurance;
- over 74 percent of new express loans customers were insured with life insurance;
- insured payment cards number exceeded 100,000 payment cards.

To offer its customers convenient and quality service *AB DnB NORD Bankas* continued optimization of its branch network. New banking outlets in Kaunas, Vilnius and Siauliai were opened, two inefficient outlets closed and two outlets were renewed and modernized in 2009. As at the end of the year *AB DnB NORD Bankas Group* served its customers through a nationwide Bank's network of 85 branches and sub-branches running the country's third largest customer service network.

For customer convenience in 2009 the Bank installed five new ATMs including its second one with cash-in function and relocated eight ATMs to more convenient places for customers. As at the end of the year Bank served its customers through its 178 ATMs and 333 ATMs of SEB Bankas according to the cooperation agreement. This made it Lithuania's largest ATMs network available for the Group's customers.

Due to constant efforts to further improve user-friendliness and functionality of the internet banking system the number of customers using *AB DnB NORD Bankas* internet banking services increased by 24 percent in 2009 year on year to 359 thousand. In the reporting year 90 percent of all money transfers were performed via internet banking of *AB DnB NORD Bankas.*

In the reporting year Metasite Business Solutions, a company that has been conducting researches of E-banking systems in Lithuania, Latvia and Estonia for the last seven years, reported that *AB DnB NORD Bankas* demonstrated the biggest qualitative leap in electronic banking in 2009 placing the Bank on top spot among E-banking service providers in Lithuania. The Bank advanced by five grades in the ranking from the 6th to the 1st place within a year. The biggest impact for the high evaluation of *AB DnB NORD Bankas* was scored because of fast response to customers' requests and the increase in functionality of its E-banking services. In the two categories *AB DnB NORD Bankas* recorded 18 and 11 percent year-on-year improvement accordingly. That evidently showed that the Bank's strategic initiative to be financial guide to its customers has become a very important part of the everyday work. In 2010 *AB DnB NORD Bankas* intends to give even more attention to the functionality, clarity and convenience of E-Banking services so that the close relationship with customers were maintained and they would increasingly choose *AB DnB NORD Bankas* as their home bank.

AB DnB NORD Bankas, a member of Lithuania's Electronic signature breakthrough program (E3P), upgraded its Internet Banking system in 2009 so that customers could log in and sign payments, agreements and other important documents using mobile e-signature. E-signature is a modern, safe and user-friendly way of self identification that replaces PIN / TAN code cards and password generators. Initially the users of Omnitel's mobile services are able to use e-signature to confirm their identity on DnB NORD internet banking. Technical changes implemented in DnB NORD e-banking system allow connecting other e-signature providers with expedition.

In the year 2009 the Bank issued 55,7 thousand new payment cards. At the end of the year, payment cards issued by the Bank totaled 351.4 thousand. The annual turnover of transactions made by payment cards issued by the Bank in the year 2009 amounted to LTL 4.528 billion.

Corporate banking and small and medium size enterprises (SME)

In 2009 *AB DnB NORD Bankas* maintained its strong position in corporate banking segment sector as a result of long-term constructive relationship with its customers, being fast and flexible decision maker increasing the number of corporate customers by 1,727 to 53.6 thousand over the year One of the goals of the Bank in the area of corporate banking is to become a financial guide ready to offer a range of financial products and personalized financial consultations designed for corporate customers.

With customer risk remaining high due to the country's deep and protracted economic contraction, credit demand declining and a smaller number of projects meeting the credit risk criteria, the Bank's corporate net loan portfolio fell by LTL 642.1 million, or 10.8 percent to LTL 5,28 billion as at the end of 2009.

In 2009 the Bank's corporate loan portfolio to the public sector increased, whereas the loans extended to other sectors of the economy have decreased marginally as the Bank aimed to ensure a balanced performance of the Bank in the adverse economic environment by reducing the risky loans' share in its loan portfolio. Since the start of 2009 the financing of wholesale, retail, transport and real estate sectors saw the biggest decline in financing, however following introduction of active measures aimed at helping to solve temporary financial difficulties of the Bank's customers and increased efficiency of credit restructuring, a certain degree of stabilization in the Bank's mortgage credit and leasing portfolios have been observed.

In 2009 the Bank's corporate deposit portfolio decreased by LTL 148.7 million and amounted to LTL 1.28 billion at the year-end. During December corporate deposit portfolio decreased by LTL 154.4 million due to the increased expences from accounts of public authorities and state and municipal entities.
The Bank, in cooperation with the leasing and investment management subsidiaries, offered corporate customers a variety of solutions to meet the borrowing, investment and payment needs of companies. Beneficial offers were made not only for development of businesses, but also for employees of corporate customers.

AB DnB NORD Bankas Group consistently paid major attention to small and medium size enterprises (SMEs) offering them special service' packages for business startups and already operating firms. With an intention to offer more opportunities to the country's businesses *AB DnB NORD Bankas* has signed a EUR 15 million Finance Contract with the European Investment Bank (EIB), thereby extending its successful cooperation with this financial institution dating back to 2003. *AB DnB NORD Bankas* intends to allocate the funds raised under the bilateral contract to finance investment projects of small and medium size businesses.

The Banks cooperation with SME segment was positively affected by:

- the improvement of the SME rating system;
- the simplification of procedures (credit applications, applications for opening accounts and payment cards, etc);
- successfully continued the contribution of the Bank to the SME micro crediting project, which was developed by UAB Investicijų ir verslo garantijos as a fund administrator;
- showed exceptional attention for newly established companies by offering a package of services Vitamins for start ™.

In 2009, the Bank continued the cooperation with UAB Investicijų ir verslo garantijos and UAB Žemės ūkio paskolų garantijos fondas, being one of the most active credit institutions that offered SME loans with guarantees of the above mentioned institutions.

Investment banking

AB DnB NORD Bankas investment banking activity includes trading in securities, liquidity management, funding arrangement for the bank and its subsidiary, full service brokerage services, operations with securities finance, financial solutions development for private and corporate customers including derivative and structured products, as well as corporate finance services, particularly mergers and acquisitions, fundraising and other services.

In the reporting period *AB DnB NORD Bankas* was among leading issuers in the Lithuanian market in terms of debt securities issued. As of 31 December 2009 outstanding debt securities issued by the Bank totaled LTL 898.1 million at par, which includes the equity and commodity linked notes accounting for LTL 712.8 million at par value.

During 2009 year, the Bank was the leading underwriter of the debt securities issued by the Government of the Republic of Lithuania in the Baltic States, the total value of underwritten notes constituting LTL 1.11 billion. The Government bonds underwritten and distributed by the Bank represented 48 percent of the total par value of the Government debt securities denominated foreign currencies issued in the Baltic States, excluding the treasury bills placed through auctions as at the end of December 2009.

In 2009 *AB DnB NORD Bankas*, together with Citi, HSBC, RBS and CreditSuisse, has co-led EUR 500 mln and USD 1.5 billion international placements of Lithuanian Government bonds. The bank has also underwrote 11 euro denominated, one US dollar denominated and three Estonian kroon denominated tranches of Lithuanian Government notes with total nominal value of LTL 1.11 billion (EUR 322 million).

In 2009 the bank was increasingly active in foreign exchange market with relevant operations volumes growing faster than the market on average and market share increasing from 12 percent in 2008 to 25 percent in 2009.

In 2009 a new on-line trading platform was launched that enabled the bank's clients to make financial instruments deals on-line.

In the reporting year the investment banking professionals of *AB DnB NORD Bankas* advised on acquisition of JSC Ramunėlės vaistinė shares by JSC Armila.

12. Bank's subsidiaries

On 31 December 2009 *AB DnB NORD Bankas* owned the following subsidiaries: *UAB DnB NORD Investicijų Valdymas, UAB DnB NORD Lizingas and UAB DnB NORD Būstas, UAB Intractus*.

UAB DnB NORD Investicijų Valdymas

Name	UAB DnB NORD Investicijų Valdymas
Legal status	Limited liability company
Date and place of registration	Registered with the State enterprise Centre of Registers on 19 August 2003
Company code	226299280
Registered and actual office address	J. Basanavičiaus g. 26, Vilnius, Lietuvos Respublika
Telephone numbers	(+370 5) 2393 567, (+ 370 5) 2393 773
Fax number	(+370 5) 2393 473
E-mail	investicija@dnbnord.lt
Website	www.dnbnord.lt
Number of the permission to be engaged in the activities of a management company	VĮK –003

The Bank's asset management subsidiary *UAB DnB NORD Investicijų Valdymas* offers services of management of pension and investment funds.

The company is ranked third in the country's asset management market. It held 70.7 thousand outstanding contracts and managed three second pillar pension funds, two third pillar pension funds and two investment funds. It's total assets under management increased 73.6 percent year-on-year or by LTL 142 million to LTL 335 million as at the end of 2009. Six of the seven investment and pension funds' results in 2009 outperformed the reference benchmark indexes.

UAB DnB NORD Investicijų Valdymas also provided investment portfolio management services to UAB DK PZU Lietuva. Portfolio of one of the most active life insurance companies in Lithuania almost doubled in a the 2009 year to LTL 14.3 million from LTL 7.2 million the year before. In line with the agreement with the customer *UAB DnB NORD Investicijų Valdymas* has set up seven investment funds of different strategies.

In 2009 international investment market research agency Morningstar assigned DnB NORD Money Market Fund the top 5 star rating and 4 stars rating to DnB NORD Equity Fund of Funds. These rankings are granted based on the fund performance, investment portfolio and costs. DnB NORD Money Market Fund targets investments at short-term governmental, bank and corporate bonds and deposits. It is a minor risk investment fund with a concept of avoiding currency risk; therefore most investments are in euros and litas.

The company's net profit in 2009 totaled LTL 1,54 million. In the reporting year the company's return on equity (ROE) was 26.9 percent and its cost/income ratio (CIR) was 33.8 percent.

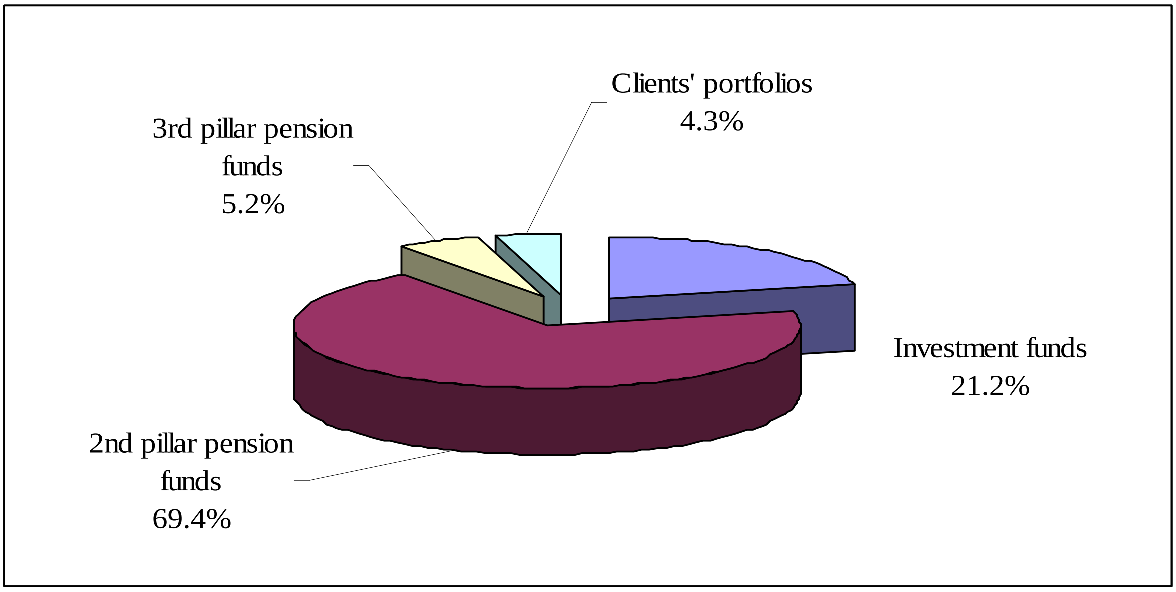
Important events that affected *UAB DnB NORD Investicijų Valdymas performance* during the reporting year:

- striving to manage the funds of its customers more efficiently *DnB NORD Investicijų Valdymas UAB* decided to merge DnB NORD Bond Fund with DnB NORD Money Market Fund in the fourth quarter of 2009. This means that DnB NORD Bond Fund customers, who became clients of DnB NORD Money Market Fund after the funds have been merged, started to enjoy lower administration fees. The company is now able to use the resources available more efficiently for new product development as well as for sustainability of its existing product line.

- the Parliament of the Republic of Lithuania voted to reduce further the transfers to the 2nd pillar pension funds from state social security system starting the second half of 2009. Until 2009 the transfer rate was 5.5 percent from the salary of the fund participant to his personal pension account. From January 1st 2009 this rate was scaled down to 3 percent and to 2 percent starting 1 July. This decision means less income for future needs of the customers after retirement with less funds transferred to the management of the company. The legislation provides for restitution of the initial 5.5 percent fund transfer rate in 2011 with temporarily increase to 6 percent rate in 2012-2014 to compensate for existing rate reductions.

- the amended tax legislation by the Parliament of the Republic of Lithuania passed in the reporting year also had significant effect on the popularity of 3rd pillar pension funds after the tax incentive of 24 percent was cut to 15 percent. Some other provisions that have previously designed to promote long term saving process were also adjusted.

Portfolio structure, as of December 31, 2009



The performance of the funds as of December 31, 2009

Name	Investment strategy	Result for 2009	In comparison with benchmark index
Second Pillar Pension Funds			
DnB NORD pensija 1	Government bonds	+8,00%	+3,84%
DnB NORD pensija 2	Equities up to 25%	+16,42%	+4,83%
DnB NORD pensija 3	Equities up to 50%	+22,07%	+3,06%
Third Pillar Pension Funds			
DnB NORD papildoma pensija	Equities up to 50%	+25,64%	+6,62%
DnB NORD papildoma pensija 100	Equities up to 100%	+29,96%	-3,92%
Investment Funds			
DnB NORD pinigų rinkos fondas	Short bonds and deposits	+7,22%	+5,67%
DnB NORD akcijų fondų fondas	Equities	+39,48%	+5,60%

UAB DnB NORD Lizingas

Name	UAB DnB NORD Lizingas
Legal status	Limited liability company
Date and place of registration	Registered with the State enterprise Centre of Registers on 6 March 1998
Company code	124385737
Registered and actual office address	Žalgirio str. 92, Vilnius, Republic of Lithuania
Telephone number	(+370 5) 2393 030
Fax number	(+370 5) 2393 031
E-mail	lizingas@dnbnord.lt
Website	www.dnbnordlizingas.lt

In 2009 the fast worsening macroeconomic situation affected strongly transport, logistics and vehicles sales sectors in Lithuania. These factors combined lead to a decrease in borrowing demand that had a significant negative impact on the country's leasing market.

In response to market trend *UAB DnB NORD Lizingas* focused on portfolio quality, credit risk management and, looking to the future, client service quality and development.

Seeking to be competitive *UAB DnB NORD Lizingas* continued to optimize its activity trough integration of lease products distribution and sales in *AB DnB NORD Bankas* sales network.

In the declining market *UAB DnB NORD Lizingas* that provides vehicle, equipment and real estate leasing, saw a decrease of its leasing portfolio before provisions by 32.1 percent year-on-year to LTL 645 million in 2009. Its market share at the end of 2009 was 7.84 percent.

On 7th December 2009 *UAB DnB NORD Lizingas* acquired 24.5 percent shareholding in *UAB DnB NORD Būstas* through a LTL 650 thousand property contribution to the Bank's subsidiary.

UAB DnB NORD Būstas

Name	UAB DnB NORD Būstas
Legal status	Limited company
Date and place of registration	Registered with the state enterprise Centre of Registers on 10 January 2007
Company code	300631876
Registered office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Actual office address	Karmelitų str. 3, LT-01129 Vilnius, Republic of Lithuania
Telephone number	(+370 5) 2499 277
Fax number	(+370 5) 2499 276
E-mail	info@dnbnordbustas.lt
Website	www.dnbnordbustas.lt

UAB DnB NORD Būstas is engaged in providing brokerage services in real estate market. The company also sells franchises to real estate brokerage companies and individual brokers.

In the reporting year the company carried out its activities in Vilnius, Kaunas, Klaipėda, Mažeikiai, Akmenė and Skuodas and the surrounding regions. Despite the stagnation of Lithuania's real estate market during the reporting period *UAB DnB NORD Būstas* retained its leading positions among real estate brokerage companies in terms of new residential objects offered for sale, and was among biggest companies of its kind in terms of total number of listings.

In 2009 company's authorized share capital was increased from to LTL 2.6 million from LTL 1.0 million by monetary and property contributions from shareholders.

In order to ensure cost balanced development the company paid major attention to development of its franchise business in 2009. At the end of the reporting period two real estate brokerage companies and seven individual brokers were providing real estate brokerage services under franchise agreements.

In 2010 *UAB DnB NORD Būstas* will continue to focus on helping the Bank's customers faced with the economic downturn to sell their assets and increase of franchise income.

UAB Intractus

Name	UAB Intractus
Legal status	Limited company
Date and place of registration	Registered with the state enterprise Centre of Registers on 6 August 2009
Company code	302424698
Registered office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Actual office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number	(+370 5) 2393 482
Fax number	(+370 5) 2393 421
E-mail	aras.variakojis@dnbnord.lt
Website	-

UAB Intractus is a limited liability company 100 percent owned by *AB DnB NORD Bankas*. The objective for the establishment of the subsidiary - preparation for the efficient management of real estate assets. The company is entitled to effect all kind operations and transactions related to the efficient management of real estate, such as buying, selling, letting or development of real estate.

The assets under *UAB Intractus* management totalled LTL 754 thousand as at the end of 2009.

13. Risk management and ratings

The aim of risk management in *AB DnB NORD Bankas* is assuring an acceptable return on equity pursuing the conservative policy of risk management.

Risk-related activity of the Bank and the Group was strictly restricted by applying the system of limits. Limitations are set and supervision thereof is executed on a centralized basis at the Group level. The key principle of the risk management is to segregate the function of all-type risk management from risk assuming, i.e. from front-office units.

The Bank assesses and manages credit, liquidity, market (interest rate, foreign exchange rate, equity price), operational and other risks it is exposed to in its activities. Credit risk is the dominant in the Bank's risk structure. Detailed information about financial risks assessment and management is provided in section Financial Risk Management of the *AB DnB NORD Bankas* 2009 financial statement. The risk management principles have not changed during the accounting period, but the risk management as such was strengthened taking into account an impact of Lithuania's macroeconomic downturn.

During accounting period the process of the risk assessment and management was further improved in order to use the more advanced methods for calculation of capital requirement for credit risk in the future.

As a result of pursuing the appropriate risk management policy over the reporting period the Bank was compliant with all prudential requirements set by the Bank of Lithuania and no sanctions were imposed against it.

As at 31 December 2009 *AB DnB NORD Bankas* held long-term IDR "A" (outlook negative), short-term rating "F1", individual issuer's rating D/E and support rating "1" from FitschRatings agency.

Agency	Long term borrowing rating/outlook	Short term borrowing rating	Support rating	Individual rating
FitchRatings	A / negative	F1	1	D/E

On 9 April 2009 FitchRatings revised its *AB DnB NORD Bankas* long-term issuer's default rating outlook to negative from stable following the downgrade of the long-term foreign currency issuer default rating for the Republic of Lithuania to BBB/Negative outlook on 8 April 2009. On 16 April 2009 ratings agency FitchRatings changed the individual rating of *AB DnB NORD Bankas* to D/E from C/D. According to Fitch Ratings, "the downgrades of the individual ratings of all rated Baltic subsidiaries of Nordic banks reflect the rapid deterioration in the operating environment in Estonia, Lithuania and Latvia."

14. Strategy and plans

In 2010 *AB DnB NORD Bankas* will continue to focus on development of efficient universal banking making use of its existing competitive advantages: fast decision making, Financial guide delivery concept, customer oriented approach and a country-wide sales network being large enough for economies of scale in product development as well as its efficiency of back-office and risk management.

In the adverse economic environment *AB DnB NORD Bankas* intends to allocate major attention on the main strategic objectives: cost management, credit risk management and maintain its market position.

In retail *AB DnB NORD Bankas* will further develop the approach of being Financial guide to its customers seeking for a long-term relationship and providing them a comprehensive range of financial services as a home bank. The aim is to be on a customer's shortlist of 2-3 banks for each major banking service decision. An important role for the 2010 business year will be assigned for continuing the control of the credit performance including standard models for change of credit conditions helping the customers to overcome the financial turmoil. The further business development shall be insured by creating a more efficient sales organisation supported by innovative products, usage of the analytical Customer Relationship Management system (CRM), implementation of multi-channel strategy principles and network optimization. The planned IT investments will be primarily used for further development of CRM and credit workflow (EDSS) system, leasing system integration and identity management project development and implementation.

AB DnB NORD Bankas goal in corporate banking for 2010 is to build, maintain and develop mutually beneficial long-term customer relationship by utilizing the Financial Guide concept, become the customer's home bank and the country's most reliable, dynamic and high-quality banking service provider in SME and corporate segments. This will be achieved by adequate credit risk management, customer centric approach and application of a more efficient sales organization.

Growth in treasury and investment banking will require relatively small investments as no significant balance sheet risk taking business is planned. The strategy in this segment is to focus on innovation and higher margin products by applying an open-platform solution while moving all standard products to internet.

In 2010 *AB DnB NORD Bankas* as a pioneer will finalize the implementation of a unified IT platform, a very important project together with all banks of the *DnB NORD* group. The new core banking system will provide a strong backbone supporting the continued growth of the group over the next years, it includes possibility to share products, processes and resources as well as increased "time to market" and economy of scale. The unified IT solution will be the basis for further development of international cash management products allowing customers to manage their cross-boarder funds easier and more efficiently.

15. Investments

As of the preparation of the 2008 consolidated annual report, the Issuer hadn‘t any planned investment on long term tangible or intangible assets, which had value more than 10 percent of the Issuer‘s share capital.

16. Management of the Issuer

The Bylaws of *AB DnB NORD Bankas* provide that the bodies of the Issuer are the following: General Meeting of Shareholders, Supervisory Council, Management Board and Chief Executive Officer (President).

The General Meeting of Shareholders of the Issuer:
- amends the Bylaws of the Issuer, save for the exceptions stipulated in laws;
- elects the Supervisory Council or the individual Members thereof;
- removes the Supervisory Council or the individual Members thereof;
- elects and removes the audit company, establishes the terms and conditions of payment for audit services;
- approves the annual financial statements of the Issuer and the report on the performance of the Issuer;
- establishes the class, the number and sets the nominal value and the minimum issue price of the shares to be issued by the Bank;
- makes the decision to issue the convertible bonds;
- makes the decision to withdraw the pre-emptive right to acquire the shares or convertible bonds of the specific issue of the Issuer from all the shareholders;
- makes the decision to convert the Issuer’s shares of one class into the shares of another class, to approve the share conversion procedure;
- adopts the decision on the profit (loss) distribution;
- adopts the decision on the formation, use, reduction and liquidation of reserves;
- adopts the decision to increase the authorised capital;
- adopts the decision to reduce the authorised capital save for the exceptions stipulated in laws;
- adopts the decision to acquire the Issuer’s own shares;
- adopts the decision on the reorganisation or division of the Issuer and to approve the terms and conditions of the reorganisation or division;
- adopts the decision to transform the Issuer;
- adopts the decision to liquidate the Issuer, to cancel the liquidation of the Issuer, except in the events stipulated in laws;
- adopts the decision to elect and remove the liquidator of the Issuer, except in the events stipulated in laws.

The General Meeting of Shareholders may also make decisions on other issues unless they are attached to the competence of other bodies of the Issuer according to laws or the Bylaws of the Issuer and unless they are the functions of the management bodies of the Issuer by their essence. The General Meeting of Shareholders shall not delegate the issues attached to its competence for other bodies of the Issuer to decide.

The Supervisory Council of the Issuer shall be a collegial supervisory body supervising the operation of the Issuer. The Chairman of the Supervisory Council shall be in charge of the Supervisory Council. The General Meeting shall elect 8 Members of the Supervisory Council. At such election, every shareholder shall have the number of votes equal to the number of the votes granted by his/her shares multiplied by the number of the Supervisory Council Members to be elected. These votes shall be cast, at the shareholders’ sole discretion, for one or for several candidates. The candidates who receive the greatest number of votes shall be elected. Should the number of the candidates who have received an equal number of votes be greater than the number of the vacancies on the Supervisory Council, a repeat voting shall be held, and in such voting each shareholder shall vote only for one of the candidates who have received the equal number of votes. The Supervisory Council shall be elected for the period of 4 years. The Supervisory Council:

- elects the Management Board Members and removes them from the office, makes proposals to the Management Board with regard to the candidate Chairman of the Management Board. Establishment of the salaries and other terms and conditions of the respective employment contracts of the Management Board Members holding other offices in the Issuer, the President and the Executive Vice Presidents shall be subject to obtaining of the prior consent of the Supervisory Council. If operation of the Issuer generates losses, the Supervisory Council shall consider whether the Management Board Members are suitable to hold the office;
- supervises the activity of the Management Board and the President;
- approves the Regulations of the Supervisory Council;
- approves the business plans of the Issuer;
- ensures the existence of the effective internal control system in the Issuer;
- makes the proposals and comments to the General Meeting on the Issuer’s business strategy, the Issuer’s annual financial statements, the draft profit (loss) distribution and the report on the performance of the Issuer as well as on the performance of the Management Board and the President;
- approves the lending policy and establishes the procedure for the lending which is subject to the approval of the Supervisory Council;
- makes the proposal for the Management Board and the President to revoke their decisions which contradict laws and other legal acts, the Bylaws of the Issuer or the decisions of the General Meeting of Shareholders;
- establishes the transactions and the decisions which are subject to obtaining of the consent of the Supervisory Council prior to the conclusion or implementation thereof by the management bodies of the Issuer;
- takes the decisions on the issues within the competence of the Supervisory Council under the procedures, the approval whereof are delegated to the Supervisory Council under laws, the Bylaws of the Issuer and the decisions of the General Meeting of Shareholders;

- discusses or resolves other issues which under laws, the Bylaws of the Issuer and the decisions of the General Meeting of Shareholders shall be discussed and resolved by the Supervisory Council.

The Management Board of the Issuer is a collegial management body consisting of 6 Members. The Management Board shall be elected by the Supervisory Council for 4 years. Where individual Members of the Management Board are elected, they shall be elected for the period remaining until the expiry of the term of office of the current Management Board. A Member of the Management Board may resign from his/her office prior to the expiry of the term of office subject to a written notice thereof to the Issuer at least 14 days in advance. <u>The Management Board shall discuss and approve:</u>

- the management structure of the Issuer and the job positions; the positions to be filled in by the way of competition;
- the regulations of the branches, representative offices and other individual outlets of the Issuer;
- the lending procedure of the Issuer, in accordance with the lending policy approved by the Supervisory Council;
- the Issuer's procedure for issuing of guarantees and sureties and assuming of other obligations;
- the procedure for writing off of loans and other debt obligations;
- the Regulations of the Credit and the Risk Management Committees.

The Management Board shall elect (appoint) and remove the President and the Executive Vice Presidents. The Management Board shall establish the salary of the President and other terms and conditions of his employment contract, approve his job description, apply incentives to or impose penalties on him. The Management Board shall determine what information shall be deemed to be a commercial secret of the Bank.
<u>The Management Board shall adopt:</u>

- The decisions for the Issuer to become a founder, a member of other legal persons;
- The decisions to establish branches, representative offices and other individual outlets of the Issuer and to terminate their operation;
- The decisions on the investment, transfer, lease of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (per each type of transaction);
- The decisions on the pledge and mortgage of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (in the aggregate amount);
- The decisions on the issuing of guarantees or sureties for the fulfilment of the obligations of other persons in the amount above 1/20 of the authorised capital of the Issuer;
- The decisions on the acquisition of the fixed assets for the price above 1/20 of the authorised capital of the Issuer;
- The decisions on the issuing of non-convertible bonds;
- The Regulations of the Management Board;
- The decisions on other issues which shall be discussed or resolved by the Management Board under laws and the Bylaws of the Issuer.

<u>The Management Board shall establish:</u>

- The terms and conditions of the share issue of the Issuer;
- The procedure for the issuing of bonds of the Issuer. Where the General Meeting of Shareholders takes the decision on the issuing of the convertible bonds, the Management Board shall have the right to establish additional terms and conditions of their issuing and to approve the bond subscription agreements to be signed by the President or the persons duly authorized thereby;
- The procedure for the recruitment of employees by the Issuer and the events when recruitment of employees by the Issuer shall be subject to the consent of the Management Board.

The Management Board shall implement the decisions taken by the General Meeting of Shareholders and the Supervisory Council. <u>The Management Board shall analyse and assess the information submitted by the President on the following issues:</u>

- The implementation of the business strategy of the Issuer;
- The organisation of the business of the Issuer;
- The financial state of the Issuer;
- The results of the business activities, the income and expenditure estimates, the stocktaking data and other accounting data of the changes in the assets.

The Management Board shall analyse and assess the draft annual financial statements of the Issuer and the draft profit (loss) distribution, and shall submit them to the Supervisory Council and the General Meeting of Shareholders. The Management Board shall establish the methodology for the calculation of the depreciation of the tangible assets and the amortization of the intangible assets to be applied in the Bank.

<u>The President shall be a single person management body of the Issuer. The President shall act as follows:</u>

- organise the daily operation of the Issuer;
- hire and dismiss the employees of the Bank, conclude and terminate the employment contracts with them, apply incentives to and impose penalties on them;
- establish the rates applied in the calculation of the depreciation of the assets in the Bank;
- represent the Bank in the relations with other persons, the court and the arbitrage without a special power of attorney;
- issue and revoke the powers of attorney and powers of procuration of the Bank;
- issue orders;
- perform any other actions necessary to perform his functions, to implement the decisions of the bodies of the Bank and to ensure of the operation of the Bank.

The President shall be responsible:

- for the organization of the operation and the realization of the objectives of the Issuer;
- for the drawing up of the annual financial statements;
- for the drawing up of the contract with the audit company;
- for the submission of the information and documents to the General Meeting of Shareholders, the Supervisory Council and the Management Board in the events stipulated in laws or upon their request;
- for the submission of the documents and particulars of the Issuer to the administrator of the register of legal persons;
- for the submission of the documents to the Securities Commission and the Central Securities Depository of Lithuania;
- for the publishing of the information stipulated in laws and other legal acts in the daily stipulated in the Bylaws if the Issuer;
- for the submission of the information to the shareholders;
- implementation of the provisions of the Law on Money Laundering Prevention;
- for the performance of other duties stipulated in laws and legal acts, the Bylaws of the Issuer and the job description of the President.

The President shall act on behalf of the Issuer and shall have the right to conclude transactions at his own discretion save for the exceptions stipulated herein or in the decisions of the bodies of the Issuer.

17. Supervisory Council and Management Board

The Bylaws of *AB DnB NORD Bankas* provide that the bodies of the Issuer are the following: General Meeting of Shareholders, Supervisory Council, Management Board and Chief Executive Officer (President). The rights and responsibilities of each body are disclosed in detail in Article 16 of the Consolidated Annual Report 2009.

According to the Bylaws the Supervisory Council of *AB DnB NORD Bankas* consists of eight members. As of 31 December 2009 the Supervisory Council of *AB DnB NORD Bankas* consisted of six members, after two of them - Viktoras Valentukevičius and Antanas Zabulis – resigned from members of the Supervisory Council from 23 November 2009 due to the intended optimization of structure of *AB DnB NORD Bankas* Supervisory Council. The term of the Supervisory Council expires on 23 March 2010.

Since 18 March 2009 Thomas Stephan Buerkle has lead the Supervisory Council of *AB DnB NORD Bankas..He* he was elected to this position on 16 March 2009 at the meeting of the Supervisory Council. He replaced Sven Herlyn in the position.

In addition, on 30 March 2009 the general meeting of shareholders elected Juergen Machalett and Andreas Fichelscher as members of the Supervisory Council replacing Juergen Allerkamp and Christoph Schulz in this position. The newly elected members of the Supervisory Council represent interests of Germany's NORD/LB bank. Andres Fichelscher started his office on 13 May 2009 and Juergen Machalett - on 14 May 2009.
Six meetings of the Supervisory Council were held during the reporting period. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings.

Information about position, office term, education, professional qualification and management competence of the members of the Supervisory Council:

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Start	End		
Thomas Buerkle	Chairman of the Supervisory Council	16 03 2006	23 03 2010	Berlin University, Master degree in Economics	President (CEO) and the chairman of the Management Board of AB bankas „NORD/LB Lietuva (2002-2005); Executive vice president and general manager, NORD/LB, New York branch (2006-2009); Group CEO, Bank DnB NORD AS, Denmark (since 1 February 2009)
Torstein Hagen	Member of the Supervisory Council, vice-chairman of the Supervisory Council (since 26 05 2009)	12 05 2006	23 03 2010	Oslo School of Business and Economics, BMA; University of South Florida, MBA	Various positions at DnB (1994-2000); consultant, NTNA INTERNATIONAL MGMT (2000-2002); representative, NORD/LB (2002-2005); Chief Credit Officer, DnB NORD (since 2005)

Jarle Mortensen	Member of the Supervisory Council	24 05 2007	23 03 2010	Norwegian School of Management, Diploma in business management	Sparebanken NOR, Norway, district manager (1997-2000); DnB NOR Bank ASA, regional manager (2000-2004); DnB NOR Bank ASA, executive vice-president (since 2004)
Tony Samuelsen	Member of the Supervisory Council	22 05 2008	23 03 2010	Norwegian School of Economics and Business Administration, diploma in economics and business administration	DnB NOR, New York, CEO, (1995-1998); DnB NOR, London, CEO (2000-2005); DnB NORD A/S, Chief financial officer (2006-2008); DnB NOR vice-president (since 2008)
Juergen Machalett	Member of the Supervisory Council	14 05 2009	23 03 2010	Banking Academy, Diploma of banking	CEO of Prima Banka, Latvia (2001-2003); Head of Corporate banking and executive vice-president, NORD/LB (since 2004).
Andreas Fichelscher	Member of the Supervisory Council	13 05 2009	23 03 2010	Mr Fichelscher graduated from Kassel University, faculty of Physics.	Member of the Board, VR DISKONTBANK GMBH (1999-2003); Head of IT, DEKA bank in Germany (2003-2008); head of Organisation and IT Division at NORD/LB (since August 2008)

On 18 March 2009 the Meeting of the Supervisory Council elected Fredrik J. Borch as a member of the Management Board of the Bank, responsible for credit risk management. He started his office as a member of the Management Board and executive vice president of *AB DnB NORD Bankas* on 23 March 2009.

After taking a job-proposal to take a position in another non-banking financial institution, Sigitas Žutautas, in charge of retail banking at *AB DnB NORD Bankas*, resigned from his position of a member of the Management Board and Executive Vice President of the Bank, the resignation effective on 12 June 2009.

On 8 September 2009 the Meeting of the Supervisory Council elected Šarūnas Nedzinskas as a member of the Management Board of the Bank, responsible for retail banking. He started his office as a member of the Management Board and executive vice president of *AB DnB NORD Bankas* on 9 September 2009.

On 31 December 2009 the Management Board of *AB DnB NORD Bankas* consisted of five members after Dr. Jekaterina Titarenko resigned from her position of a member of the Management Board and Executive Vice President of the Bank on 3 December 2009, as a result of her appointment as chief financial officer of Bank DnB NORD Group. All the Management Board members have been appointed until the end of the term of office of the Supervisory Council that expires on 23 March 2010.

Information about position, office term, education, professional qualification and management competence of the members of the Management Board:

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Beginning	End		
Werner Heinz Schilli	Chairman of the Management Board, president	23 03 2006	23 03 2010	German Academy of Savings Banks, diploma in Savings Banks Business Management	Chairman of the Management Board, Sparkasse Frankfurt/Oder (1991-2001); Freelance consultant for savings banks and Savings banks association (2001-2002) Member of the Management Board, AB Bankas NORD/LB Lietuva (2002-2005)

Dr. Vygintas Bubnys	Vice-chairman of the Management Board, Executive Vice-president	23 03 2006	23 03 2010	Norwegian School of Management, Diploma in business management	Chairman of the Management Board, AB Lietuvos Taupomasis Bankas (1991 – 1997); Advisor, Deputy Manager, Manager, FBC Balticum Managament (1997-2000); Advisor to the Chairman of the Management Board, AB Lietuvos Žemės Ūkio Bankas, (2000-2002)
Gundars Andžans	Member of the Management Board, Executive Vice-president	23 03 2006	23 03 2010	Riga Technical University, Dipl.- Eng-Mathematician	Director, Central and Western Europe Region, UAB DATI, Riga (since 2002); General Manager SIA DATISENS, Riga, (2000-2003); project manager, UAB DATI, Riga (1995-2000); Member of the Management Board, DnB NORD Banka (Latvia),
Fredrik J. Borch	Member of the Management Board, Executive Vice-president	23 03 2009	23 03 2010	University of Tromso (Norway), Bachelor of marine studies	Account officer, Den Norske bank ASA (2000-2004); Bank manager, Nordea bank Norge AS (2004-2006); Account officer/deputy bank manager, DnB NOR bank ASA (2006-2009).
Šarūnas Nedzinskas	Member of the Management Board, Executive Vice-president	09 09 2009	23 03 2010	Vilnius University, Diploma in Economics; Vytautas Magnus University, MBA	AB Lietuvos Žemės ūkio bankas, Manager of the Stock Brokerage Division, Deputy Director of the Deposits and Credit Department, Director of the Credit Department, Member of the Management Board (1994-1997); AB bankas Hermis, vice-chairman of the Management Board (1998-2000); SEB Vilniaus bankas, Director of the Business Development Department, Director of the Financial Institutions Department, Director of the Special Loans Department (2000-2003); UAB Švyturys – Utenos alus, Sales Director (2003-2004); AB Lietuvos draudimas, Member of the Board, Director of Business and Risk Department (2004-2007); AB FMĮ Finasta, Director, chairman of the Board (2007-2008)

The Members of the Supervisory Council and the Management Board have not acquired any shares of the Issuer.

The members of the Supervisory Council, the Management Board and the administrative bodies are not connected by any family relationship between any of them.

The members of the Supervisory council, the Management Board and the administrative bodies of the Bank have not been convicted for any primes of forgery, they have not been publicly officially incriminated or imposed any sanctions by any regulatory authority over the period of past five years, they have not been disqualified by a court from holding office as the member of the bank's administrative, management or supervisory body acting in the management or conduct of the affairs of any Issuer.

The members of the Supervisory Council, the Management Board and the administrative bodies of the Bank have no interests of conflict between any duties to the Issuer and their private interests and/or other duties. The Issuer has not entered into any deal with the above mentioned persons outside his/her principal activities.

Additional information on the Chairman of the Management Board-Chief Executive Officer and Chief Financier:

Werner Heinz Schilli (Chairman of the Management Board and Chief Executive Officer): Graduated from German Academy of Savings Banks, Bonn, Diploma in Savings Banks Business Management. W.H. Schilli started working in the banking sector in 1970. He has been working in the Bank since 2002 and took the office of the President of the Bank on 31 December 2005.
Previous work record:
Essen Savings Bank, various positions (1973 – 1991);
Chairman of the Management Board, Savings Bank in Frankfurt/Oder (1991-2001);
General Manager, Schilli Consulting GMBH (since 2004); consultant, Schilli Consulting GMBH (2001-2002);
Member of the Management Board, AB Bankas NORD/LB Lietuva (2002-2005).
Werner Heinz Schilli has no shareholdings in *AB DnB NORD Bankas.*

Jurgita Šaučiūnienė (Chief Accountant, Manager of the Accounting Department): Master's degree in business management from Vilnius University. Start of holding the office as Manager of the Accounting Department at the Bank in 2004. Previous work record:
Auditor Assistant, audit company TŪB "J. Kabašinskas ir partneriai" (1997 - 1998);
Member of KŪB, J. Kabašinsko KŪB "JKP konsultacijos" (1998 - 1999);
Agency NORD/LB bank / NORD/LB Vilniaus branch – Account, Chief Accountant (1999-2003);
Head of the Accounting Policy and Accountability Unit, AB bankas "NORD/LB Lietuva" (2003 - 2004).
Jurgita Šaučiūnienė has no shareholdings in *AB DnB NORD Bankas*.

18. Information on the activities of the Audit Committee

AB DnB NORD Bankas Audit Committee is established by the Supervisory Council of the Bank. During the year 2009 four meetings of the Bank's Audit Committee were held. Until 18 March 2009 the Audit Committee consisted of four members. On 18 March 2009 the new members of IAC were appointed, one member was recalled in the Supervisory Council Meeting. The members of the Audit Committee are Jan Kuhnel (the chairman), Dr. Jurgen Allerkamp (did not participate in the meeting on 5 March 2009, recalled), Jarle Mortensen, Andreas Fichelscher (from 18 of March 2009, did not participate in the meeting on 7 September 2009 m.), Torstein Hagen (did not participate in the meetings on 7 September, 4 November 2009). Leif Rene Hansen as independent member of Internal Audit Committee was appointed on 18 of March 2009.

The main activities of the Audit Committee are supervision of functioning of the internal control system and risk management of the Bank, ensuring the efficiency of internal audit functions, approval of the annual audit plan for the Internal Audit Department and supervision of the audit process. With regard to the auditing procedure and accounting policy, the Audit Committee observes the integrity of financial information, reviews the conclusions and recommendations of the external auditor, monitors their independence and impartiality, determines the risk areas of the Bank's operations to be audited by the Internal Audit Department and by the external auditor, supervises compliance of the Bank's performance with the laws and regulations, Bylaws of the Bank and the strategy and operating policy of the Bank.

19. Employees

AB DnB NORD Bankas Group's human resource management (HRM) policy in the reporting year continued to be based on belief that the ability of professional and dedicated employees to deliver high quality service to customers provides key impact on the bank's ability to compete and further strengthens it's business success.

The employee opinion survey conducted in 2009 revealed that the Group's employees' commitment index (TRI*M) is 64. It increased by 17 points compared to the survey conducted in 2007 also being 10 points above Lithuania's average employee commitment index rate. That means, that most employees value highly *AB DnB NORD Bankas* as their employer, trust the company and believe in its' success.

To seek the professional advance *AB DnB NORD Bankas Group* has further developed training programs and self-learning tools, encouraging spreading of the best cases and success stories across group and using modern learning tools, such as E - learning. Special attention was paid to development of employee's professional qualification, practical sales skills and coaching for sales team skills.

In 2009 further step of extensive management survey was taken and 360 degree survey for middle management of head office was conducted. The results helped to identify the strengths of leadership culture in the Bank and areas for improvement.

In year 2009 a conference of all Bank employees was held with an aim to discuss main direction of activity, leading tasks for the year 2009 and means how to reach them.

With an aim of more efficient implementation of the Bank's strategic goals, the performance appraisal system has been further improved and was designed to align the targets set to employees with the Bank's strategy and focus on task formation quality and efficiency.

Successful cooperation with Lithuanian high schools and colleges was maintained and traineeship programs were further developed during 2009.

As of 31 December 2009 *AB DnB NORD Bankas* Group employed 1,282 employees, and their average monthly salary amounted to LTL 3,855. The change in gross average monthly salary was influenced by changes of employee structure: lower number of customers service specialists, increased number of employees who work with restructuring and transfer of high qualification staff of the group to Lithuania because of implementation of new banking system. In the reporting year the number of *AB DnB NORD Bankas Group* employees averaged 1,290, the number basically unchanged compared to 2008 (1,289). After the leasing products sales function was transferred to the Bank's network, there worked 1,263 employees in the Bank and 1,282 in the Group.

Changes in the number of employees and salaries

	31 12 2004	**31 12 2005**	**31 12 2006**	**31 12 2007**	**31 12 2008**	**31 12 2009**
Number of staff in the Bank	1,001	1,030	1,044	1,162	1,229	1,263
Number of staff in the Group	1,027	1,065	1,086	1,223	1,312	1,282
Average monthly salary in the Group in LTL	2,530	2,560	2,750	3,245	3,620	3,855

As at 31 December 2009, the average monthly salary by main staff groups was as follows: LTL 6 960 to the administration (Members of the Management Board excluded); LTL 3, 020 to specialists; LTL 2,675 to clerical staff; LTL 2,400 to workers.

The Group's staff by groups of positions as of 31 December 2009

	Number of employees	**Staff structure by education**		
		Higher	**Specialised secondary (high)**	**Secondary**
Administration	198	185	9	4
Specialists	1,065	691	212	162
Clerical staff	18	9	1	8
Workers	1		1	
Total	**1,282**	**815**	**223**	**174**

20. Executive remuneration policy report

The employment agreements and remuneration terms of the Members of the Management Board are set by the Supervisory Council of *AB DnB NORD Bankas.*

According to the executive remuneration policy of *AB DnB NORD Bankas Group* the Remuneration of the Members of the Management Board and Chief Accountant of *AB DnB NORD Bankas* consists of two parts: fixed remuneration and variable remuneration. The amounts are linked to fulfilment of objectives and results of *AB DnB NORD Bankas* also taking into consideration the data of Lithuania's labour market research. No changes to the policy are planned in 2010.

No bonuses to the members of the Management Board were paid in the reporting year.

The gross salary for the period from 1 January 2009 until 31 December 2009 paid to the Members of the Management Board holding other positions at the Bank and Chief Accountant:

	Gross salary, LTL
Total:	2,165,219
Average amount, per person	360,869

In 2009 the Members of the Management Board and Chief Accountant were paid LTL 278,074 in other payments (car allowance, apartment rent).

In 2009 the Members of the Supervisory Council were not paid tantiemes for the year 2008. Pursuant to the resolution of the general meeting of shareholders as of 30 March 2009 only the independent members of the Supervisory Council were paid LTL 50,810.66 for meeting attendance and the meeting attendance related expenses.

The Bank has no special commitments for employees regarding severance payment except the listed below:

a) The Employment Contract of two members of the Management Board who also act as executive vice-presidents of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her three average monthly salaries, unless a higher severance pay amount is established by law, when the Employment Contract terminates or is cancelled on one of the following grounds:(a) on the Employers' will, (b) on the Employer's initiative, when the Employee is not at fault, (c) when the Employee refuses to be transferred together with the Bank (its unit) to another location, (d) when the Employee refuses to work after the introduction of changes to the employment conditions, (e) when the medical commission or the commission for the establishment of disability concludes that the Employee is unable to work under the Employment Contract.

b) The Employment Contract of two members of the Management Board who also acts as the Bank's president and executive vice-presidents of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her six average monthly salaries, unless a higher severance pay amount is established by law, when the Employment Contract terminates or is cancelled on one of the following grounds:(a) on the Employers' will, (b) on the Employer's initiative, when the Employee is not at fault, (c) when the Employee refuses to be transferred together with the Bank (its unit) to another location, (d) when the Employee refuses to work after the introduction of changes to the employment conditions, (e) when the medical commission or the commission for the establishment of disability concludes that the Employee is unable to work under the Employment Contract.

21. Dividend

Over the period of past three years the Issuer paid no dividend.

22. Procedure for amending the Bylaws

Following the effective Bylaws of the Issuer (effectual edition of the Bylaws was registered with the Register of Legal Entities on 20 August 2009), and the Law on Companies, the Bylaws of the Issuer may be amended by decision of the General Meeting of Shareholders taken by at least 2/3 of the votes of all the shareholders participating in the General Meeting of Shareholders, save for the exceptions established by law.

23. Information on legal or arbitral proceedings

During the period from 1 January 2009 to 31 December 2009 there were no legal or arbitral proceedings that had or could have had substantial influence on the financial state of the Issuer.

24. Compliance to the Corporate Governance Code

Notification on the Bank's compliance to the Corporate Governance Code approved by AB NASDAQ OMX Vilnius Stock Exchange is provided in annex No. 2 of the Consolidated Annual Report.

Annex I

Main characteristics of debt securities issued for public trading
As of 31 December 2009 the following debt securities issues were made by the Issuer for public trading:

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2009 (LTL)
Fixed rate note issue No. 7/2008 (LT0000402406)	129 003	100 (LTL)	99.81- 100.00 (LTL)	12 900 300 (LTL)	9.80	15 11 2010	Par	1‘274‘554.83 (LTL)
Zero coupon note issue No 1/2009 (LT0000401895)	26 048	1100 (LTL)	992,48- 994,12 (LTL)	28 652 800 (LTL)	-	24 02 2010	Par	-
Zero coupon note issue No 2/2009 (LT0000401978)	602 329	100 (LTL)	90.68- 90.75 (LTL)	60 232 900 (LTL)	-	07 06 2010	Par	-
Zero coupon note issue No 3/2009 (LT0000410094)	236 426	100 (LTL)	90.28- 92.34 (LTL)	23 539 200 (LTL)	-	05 10 2010	Par	-
Zero coupon note issue No 4/2009 (LV0000800811)	12 281	1000 (LVL)	929.41- 930.47 (LVL)	12 281 000 (LVL)	-	23 04 2010	Par	-
Security and commodity index linked notes								
Global equity-linked note issue No. 9 (LT1000405027)	12 236	100 (EUR)	100.00 (EUR)	1 223 600 (EUR)	Subject to index change	14 07 2011	Par + premium	-
Global equity-linked note issue No. 11 (LT1000405035)	3 699	100 (EUR)	99.56-100.00 (EUR)	369 900 (EUR)	Subject to index change	03 10 2011	Par + premium	-
Global equity-linked note issue No. 15 (LT0000403453)	34 650	100 (LTL)	100.00 (LTL)	3 465 000 (LTL)	Subject to index change	11 01 2010	Par + premium	-
Global equity-linked note issue No. 16 (LT0000403511)	33 361	100 (LTL)	100.00 (LTL)	3 336 100 (LTL)	Subject to index change	23 02 2010	Par + premium	-
BRIC equity-linked note issue No. 4 (LT0000403586)	96 700	100 (LTL)	100.00 (LTL)	9 670 000 (LTL)	Subject to index change	08 02 2010	Par + premium	-
Global equity-linked note issue No. 17-LV (LV0000800449)	15 209	100 (EUR)	100.00 (EUR)	1 520 900 (EUR)	Subject to index change	27 03 2010	Par + premium	-
Global equity-linked note issue No. 18-LV (LV0000800431)	4 130	100 (LVL)	100.00 (LVL)	413 000 (LVL)	Subject to index change	27 03 2010	Par + premium	-
China index linked note issue No. 1 (LT0000403594)	352 825	100 (LTL)	100.00 (LTL)	35 282 500 (LTL)	Subject to index change	22 03 2010	Par + premium	-
Oil price linked note issue No. 1 (LT1000403428)	14 461	100 (USD)	100.00 (USD)	1 446 100 (USD)	Subject to index change	03 02 2010	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2009 (LTL)
China index linked note issue No. 2 (LT0000403602)	79 800	100 (LTL)	100.00 (LTL)	7 980 000 (LTL)	Subject to index change	01 03 2010	Par + premium	-
Oil price linked note issue No. 2 (LT0000403735)	58 751	100 (LTL)	100.00 (LTL)	5 875 100 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Global equity-linked note issue No. 20 (LT0000403800)	119 367	100 (LTL)	100.00 (LTL)	11 936 700 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Asia equity linked note issue No. 1 (LT0000403792)	57 025	100 (LTL)	100.00 (LTL)	5 702 500 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Global equity-linked note issue No. 19-LV (LV0000800472)	20 102	100 (EUR)	100.00 (EUR)	2 010 200 (EUR)	Subject to index change	26 05 2010	Par + premium	-
Asia equity linked note issue No. 2 (LT0000403818)	31 653	100 (LTL)	100.00 (LTL)	3 165 300 (LTL)	Subject to index change	19 06 2010	Par + premium	-
Asia equity linked note issue No. 3 (LT1000403451)	11 677	100 (EUR)	100.00 (EUR)	1 167 700 (EUR)	Subject to index change	19 06 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.1 (LT0000403826)	220 547	100 (LTL)	100.00 (LTL)	22 054 700 (LTL)	Subject to index change	07 06 2010	Par + premium	-
Global equity-linked note issue No. 21 (LT0000403834)	48 541	100 (LTL)	100.00 (LTL)	4 854 100 (LTL)	Subject to index change	02 08 2010	Par + premium	-
Europe index linked note issue No. 1-LV (LV0000800506)	35 511	100 (EUR)	99.68-100.00 (EUR)	3 551 100 (EUR)	Subject to index change	28 07 2010	Par + premium	-
Emerging markets linked note issue No. 1 (LT0000403875)	51 850	100 (LTL)	100.00 (LTL)	5 185 000 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.2 (LT0000403867)	37 237	100 (LTL)	100.00 (LTL)	3 723 700 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Global equity-linked note issue No. 22 (LT0000403859)	99 450	100 (LTL)	100.00 (LTL)	9 945 000 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Global equity-linked note issue No. 23 (LT1000405043)	20 562	100 (EUR)	100.00 (EUR)	2 056 200 (EUR)	Subject to index change	22 06 2012	Par + premium	-
Global equity-linked note issue No. 24 (LT1000403477)	11 500	100 (EUR)	100.00 (EUR)	1 150 000 (EUR)	Subject to index change	05 07 2010	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2009 (LTL)
Global equity-linked note issue No. 25 (LT1000403501)	94 200	100 (EUR)	100.00 (EUR)	9 420 000 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.3 (LT1000403493)	33 238	100 (EUR)	100.00 (EUR)	3 323 800 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 2 (LT1000403485)	61 013	100 (EUR)	100.00 (EUR)	6 101 300 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 3 (LT0000403917)	69 208	100 (LTL)	100.00 (LTL)	6 920 800 (LTL)	Subject to index change	19 07 2010	Par + premium	-
Global equity-linked note issue No. 26 (LT0000403925)	155 339	100 (LTL)	100.00 (LTL)	15 533 900 (LTL)	Subject to index change	19 07 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 1 (LT0000403941)	47 000	100 (LTL)	110.00 (LTL)	4 700 000 (LTL)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 4 (LT1000403519)	33 812	100 (EUR)	100.00 (EUR)	3 381 200 (EUR)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 2 (LT0000403982)	347 646	100 (LTL)	100.00 (LTL)	34 764 600 (LTL)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 3 (LT1000403527)	34 536	100 (EUR)	100.00 (EUR)	3 453 600 (EUR)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 4 (LT1000403535)	12 350	100 (EUR)	110.00 (EUR)	1 235 000 (EUR)	Subject to index change	16 08 2010	Par + premium	-
China and Japan property linked note issue No.1 (LT0000403990)	63 217	100 (LTL)	100.00 (LTL)	6 321 700 (LTL)	Subject to index change	25 09 2010	Par + premium	-
China and Japan property linked note issue No.2 (LT0000430019)	3 704	100 (LTL)	110.00 (LTL)	370 400 (LTL)	Subject to index change	25 09 2010	Par + premium	-
New emerging country equity linked note issue No. 1 (LT0000430118)	44 143	100 (LTL)	99.60-100.00 (LTL)	4 414 300 (LTL)	Subject to index change	02 11 2010	Par + premium	-
New emerging country equity linked note issue No. 2 (LT0000430126)	21 551	100 (LTL)	110.00 (LTL)	2 155 100 (LTL)	Subject to index change	02 11 2010	Par + premium	-
Emerging markets linked note issue No. 6 (LT0000430209)	210 783	100 (LTL)	100.00 (LTL)	21 078 300 (LTL)	Subject to index change	20 10 2010	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2009 (LTL)
Black sea region equity linked note issue No. 1 (LT0000430217)	141 566	100 (LTL)	100.00 (LTL)	14 156 600 (LTL)	Subject to index change	20 10 2010	Par + premium	-
Global equity-linked note issue No. 28 (LT1000403592)	36 465	100 (EUR)	100.00 (EUR)	3 646 500 (EUR)	Subject to index change	20 10 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 7 (LT0000430225)	35 950	100 (LTL)	100.00 (LTL)	3 595 000 (LTL)	Subject to index change	20 10 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 8 (LT1000403600)	29 766	100 (EUR)	100.00 (EUR)	2 976 600 (EUR)	Subject to index change	20 10 2010	Par + premium	-
China index linked note issue No. 3 (LT0000430324)	330 899	100 (LTL)	100.00 (LTL)	33 089 900 (LTL)	Subject to index change	15 11 2010	Par + premium	-
China index linked note issue No. 4 (LT0000430332)	331 942	100 (LTL)	100.00 (LTL)	33 194 200 (LTL)	Subject to index change	15 11 2010	Par + premium	-
BRIC equity-linked note issue No. 5 (LT0000430340)	123 040	100 (LTL)	100.00 (LTL)	12 304 000 (LTL)	Subject to index change	15 11 2010	Par + premium	-
China index linked note issue No. 5 (LT0000430357)	157 255	100 (LTL)	99.34-100.00 (LTL)	15 725 500 (LTL)	Subject to index change	22 12 2010	Par + premium	-
Oil price linked note issue No. 3 (LT1000403543)	10 590	100 (EUR)	100.00 (EUR)	1 059 000 (EUR)	Subject to index change	26 09 2010	Par + premium	-
Global equity-linked note issue No. 20-LV (LV0000800522)	29 063	100 (EUR)	99.64-100.00 (EUR)	2 906 300 (EUR)	Subject to index change	29 09 2010	Par + premium	-
BRIC equity-linked note issue No. 5-LV (LV0000800555)	2 227	100 (EUR)	99.59-100.00 (EUR)	222 700 (EUR)	Subject to index change	05 12 2010	Par + premium	-
BRIC equity-linked note issue No. 6-LV (LV0000800563)	19 040	100 (EUR)	102.57-103.00 (EUR)	1 904 000 (EUR)	Subject to index change	05 12 2010	Par + premium	-
Emerging markets linked note issue No. 7 (LT1000403634)	154 045	100 (EUR)	100.00 (EUR)	15 404 500 (EUR)	Subject to index change	08 12 2010	Par + premium	-
Emerging markets linked note issue No. 8 (LT0000430365)	119 080	100 (LTL)	100.00 (LTL)	11 908 000 (LTL)	Subject to index change	08 12 2010	Par + premium	-
Emerging markets linked note issue No. 9 (LT1000403659)	11 130	100 (EUR)	99.53-100.00 (EUR)	1 113 000 (EUR)	Subject to index change	31 01 2011	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2009 (LTL)
Emerging markets linked note issue No. 10-LV (LV0000800621)	7 086	100 (EUR)	102.66-103.00 (EUR)	708 600 (EUR)	Subject to index change	04 03 2011	Par + premium	-
Russia index linked note issue No. 5 (LT1000403667)	3 901	100 (EUR)	99.58-100.00 (EUR)	390 100 (EUR)	Subject to index change	11 03 2011	Par + premium	-
Russia index linked note issue No. 6 (LT0000430449)	54 949	100 (LTL)	99.56-100.00 (LTL)	5 494 900 (LTL)	Subject to index change	11 03 2011	Par + premium	-
Middle East index linked note issue No. 1 (LT0000402307)	87 940	100 (LTL)	100.00 (LTL)	8 794 000 (LTL)	Subject to index change	11 03 2010	Par + premium	-
Middle East index linked note issue No. 3 (LT0000430548)	26 316	100 (LTL)	100.00 (LTL)	2 631 600 (LTL)	Subject to index change	18 03 2011	Par + premium	-
Middle East index linked note issue No. 4 (LT1000403741)	38 067	100 (EUR)	100.00 (EUR)	3 806 700 (EUR)	Subject to index change	18 03 2011	Par + premium	-
Food index linked note issue No. 1 (LT1000403733)	34 219	100 (EUR)	100.00 (EUR)	3 421 900 (EUR)	Subject to index change	18 03 2011	Par + premium	-
Middle East index linked note issue No. 2 (LT0000430530)	79 429	100 (LTL)	99.62-100.00 (LTL)	7 942 900 (LTL)	Subject to index change	11 04 2011	Par + premium	-
Global equity-linked note issue No. 29 (LT0000430555)	36 447	100 (LTL)	99.33-100.00 (LTL)	3 644 700 (LTL)	Subject to index change	20 05 2011	Par + premium	-
Emerging markets linked note issue No. 11-LV (LV0000800670)	7 421	100 (EUR)	102.61-103.00 (EUR)	742 100 (EUR)	Subject to index change	13 06 2011	Par + premium	-
Emerging markets linked note issue No. 12 (LT1000403782)	15 298	100 (EUR)	100.00 (EUR)	1 529 800 (EUR)	Subject to index change	13 06 2011	Par + premium	-
Commodity price-linked notes No. 3 (LT1000403774)	15 481	100 (EUR)	100.00 (EUR)	1 548 100 (EUR)	Subject to index change	13 06 2011	Par + premium	-
BRIC equity-linked note issue No. 7 (LT1000403776)	30 946	100 (EUR)	100.00 (EUR)	3 094 600 (EUR)	Subject to index change	17 06 2011	Par + premium	-
Global equity-linked note issue No. 30 (LT0000430589)	88 086	100 (LTL)	100.00 (LTL)	8 808 600 (LTL)	Subject to index change	27 06 2011	Par + premium	-
Emerging markets linked note issue No. 14 (LT0000430621)	17 498	100 (LTL)	100.00 (LTL)	1 749 800 (LTL)	Subject to index change	29 07 2011	Par + premium	

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2009 (LTL)
Russia equity linked note issue No. 7 (LT1000403873)	9 579	100 (EUR)	100.00 (EUR)	957 900 (EUR)	Subject to index change	19 09 2011	Par + premium	
Russia equity linked note issue No. 8 LV (LV0000800738)	3 741	100 (EUR)	99.51 – 100 (EUR)	374 100 (EUR)	Subject to index change	19 09 2011	Par + premium	
Global equity-linked note issue No. 31 (LT0000404113)	14 901	100 (LTL)	100.00 (LTL)	1 490 100 (LTL)	Subject to index change	07 11 2011	Par + premium	-
Global equity-linked note issue No. 32 (LT0000430696)	60 000	100 (LTL)	100.00 (LTL)	6 000 000 (LTL)	Subject to index change	07 11 2011	Par + premium	-
Global equity-linked note issue No. 33- LV (LV0000800779)	3 510	100 (EUR)	100,00 (EUR)	351 000 (EUR)	Subject to index change	28 02 2012	Par + premium	-
Global equity-linked note issue No. 34 (LT0000430753)	16 560	100 (LTL)	100,00 (LTL)	1 656 000 (LTL)	Subject to index change	2012 02 28	Par + premium	-
Global equity-linked note issue No. 35-LV (LV0000800795)	2 836	100 (EUR)	100,00 (EUR)	283 600 (EUR)	Subject to index change	2012 10 22	Par + premium	-
Global equity-linked note issue No. 36-LV (LV0000800803)	7 452	100 (EUR)	100,00 (EUR)	745 200 (EUR)	Subject to index change	2012-10-22	Par + premium	-
Global equity-linked note issue No. 37 (LT0000430878)	1 120	100 (LTL)	99,40 - 100,00 (LTL)	112 000 (LTL)	Subject to index change	2012-11-12	Par + premium	-
Global equity-linked note issue No. 38 (LT1000403972)	2 267	100 (EUR)	99,77 - 100,00 (EUR)	226 700 (EUR)	Subject to index change	2012-11-12	Par + premium	-
Asian equities linked notes issue No. 4 (LT1000430009)	2 018	100 (EUR)	99,78 - 100,00 (EUR)	201 800 (EUR)	Subject to index change	2012-12-19	Par	-
Asian equities linked notes issue No. 5 (LT0000430910)	42 673	100 (LTL)	99,56 - 100,00 (LTL)	4 267 300 (LTL)	Subject to index change	2012-12-19	Par	-

Annex II

DISCLOSURE OF AB DnB NORD BANKAS CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET APPROVED BY AB NASDAQ OMX VILNIUS AND APPLIED UNTIL 31 DECEMBER 2009 (INCLUSIVELY)

AB DnB NORD Bankas (hereinafter referred to as "the Bank", "the Company" or "the Issuer"), following paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX VILNIUS, discloses its compliance with the Governance Code, approved by AB NASDAQ OMX VILNIUS for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it is specified which provisions are not complied with and the reasons of non-compliance.

PRINCIPLES/RECOMMENDATIONS	***YES/NO /NOT APPLICABLE***	***COMMENTARY***
Principle I: Basic Provisions *The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.*		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Bank adopts and annually updates the Strategy of the Bank. The provisions of the Strategy, which do not contain confidential information, are disclosed in the Annual Report.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
Principle II: The corporate governance framework *The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.*		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	

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	
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both the Supervisory Council and the Management Board are elected in the Bank.
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	
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	In 2009 the Management Board consisted of 6 (six) members and the Supervisory Council consisted of 8 (eight) 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 Supervisory Council is elected for the term of 4 (four) years. The Bylaws and practice of the Bank does not prohibit a re-election of the members of the Supervisory Council for a new term.
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	
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	

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	
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	
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.	Yes (until 23 November 2009)	As the squeeze-out of the Bank's shares was finished on 21 July 2009 and Bank DnB NORD A/S made transfers to the deposit accounts in favour of those shareholders whose shares remained unsold and applied to the court with a request to commit the account managers to make records in the securities accounts regarding transfer of title to the shares to the shareholder buying up the shares, i.e. Bank DnB NORD A/S (the process of squeeze-out of the issuer's shares is described in detail in Article 7 of the consolidated 2009 annual report). Considering that, the independent members of the Supervisory Council of the Bank (Mr. Antanas Zabulis and Mr. Viktoras Valentukevičius) held office until 23 November 2009.
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	Yes	

judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders'		

meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Yes	The members of the Supervisory Council indicated in item 3.6 hereinabove, who held office until 23 November 2009, were considered as independent since they met the independence criteria provided for in the Code.
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.	Yes	
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.	Yes	
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	

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	To the best knowledge of the Bank all the members of the Supervisory Council act in good faith, with care and responsibility not for their own or third parties' interests, but for the benefit and in the interests of the Bank and its shareholders. The independent members of the Supervisory Council of the Bank (Mr. Antanas Zabulis and Mr. Viktoras Valentukevičius) as resigned from 23 November 2009 provided no reasons for their resignation in the resignation letter.
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	
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
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.	Yes	

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	The Audit Committee is established by the Supervisory Council of the Bank. Nomination and Remuneration Committees are not established. The functions of these committees are performed by the Supervisory Council. It is not reasonable to establish two additional committees, since the term of office of the members of the Management Board is 4 years, whereas fluctuation of the members of the Management Board is not frequent. Considering that, it is not relevant to have permanent Nomination and Remuneration Committees.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	
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.	No	There are 4 (four) members in the Audit Committee appointed by the Supervisory Council however none of them is an independent member of the Supervisory Council.

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	
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	
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.	Not applica ble	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.	Not applica ble	The Remuneration Committee is not established in the Bank.

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) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) 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); 5) 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.		
4.14. 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.	Yes	The Audit Committee submits its activity reports to the Supervisory Council of the Bank at least annually at the time of approving the annual report. The Audit Committee also submits reports upon request of the Supervisory Council.

Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 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 centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or		

through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	The Supervisory Council in the Meeting to be held before every ordinary general meeting of shareholders performs the annual self-assessment.
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	
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	
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	
Principle VI: The equitable treatment of shareholders and shareholder rights *The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.*		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares consisting the authorised capital of the Bank grant equal rights to all the owners of the shares of the Bank.
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	
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.	No	Pursuant to the Law on Companies and the Bylaws of the Bank the approval of transactions indicated in this item is attached to the competence of the Management Board. According to the internal regulations of the Bank significant transactions shall also be approved by the Supervisory Council.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	According to the item 27.4 of the Listing Rules approved by NASDAQ OMX VILNIUS the issuer is obliged to publish draft resolutions of the forthcoming general meeting of shareholders through the information disclosure system of NASDAQ OMX VILNIUS not later than at the day when the shareholders of the issuer are being granted a possibility to familiarize themselves with the draft resolutions. The Issuer is obliged to announce about decisions passed in the general (or repeated) meeting of shareholders of the issuer through the information disclosure system of NASDAQ OMX VILNIUS. The information disclosed in the information disclosure system of NASDAQ OMX VILNIUS is also published on the Bank's website.

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	
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Taking into consideration the structure of shareholders of the Bank and settled procedure of the meetings of shareholders of the Bank there is no need to implement measures indicated in this item. Moreover, the expenses required for the implementation of such measures would be not adequate to the expected benefits.
Principle VII: The avoidance of conflicts of interest and their disclosure *The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.*		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy *Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.*		

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	Yes	
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	Considering that there are no significant changes in Bank's remuneration policy planned for year 2010, the remuneration statement does not provide information on remuneration policy for the following financial year. Remuneration statement contains a summary of the implementation of the remuneration policy in the previous financial year.
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) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	Yes	
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.	Yes	
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Remuneration Committee is not established in the Bank.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Remuneration policy is approved by the Supervisory Council of the Bank. Remuneration statement is a part of Annual Report which is put for voting in shareholders' annual general meeting.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the	No	The Bank (following the requirements of the legal acts) publishes the remuneration for the members of the Supervisory Council and Management Board (heads of administration) and the average amount paid for every director in the remuneration statement. The employees of the Bank do not have any share-incentive or supplementary pension schemes.

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.. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 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. 8.7.3. 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. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applica ble	The Bank does not apply 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.

8.9. 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.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance *The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.*		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Bank complies with all requirements of legal acts regarding rights of the stakeholders to participate in the corporate governance of the Bank. However, no group of stakeholders, entitled according to the laws to participate in the corporate governance of the Bank, has implemented its rights according to the procedures set in the laws.
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.		

9.3. Where stakeholders participate in the corporate governance process, they should have 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. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 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.	Yes	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	All the information indicated in this item is published on the website of the Bank, except for the changes in the price of the Bank's shares on the Stock Exchange, since this information is published on the website of the Stock Exchange and is accessible by every interested person.
Principle XI: The selection of the company's auditor *The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.*		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
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	

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL STATEMENTS

THE GROUP AND BANK INCOME STATEMENT

		Group		Bank	
	Notes	**2009**	**2008**	**2009**	**2008**
Interest income		648,289	817,257	615,232	759,284
Interest expense		(371,964)	(508,710)	(350,619)	(465,249)
Net interest income	1	276,325	308,547	264,613	294,035
Fee and commission income	2	74,787	85,974	73,917	81,975
Fee and commission expense	2	(16,422)	(17,454)	(16,146)	(17,275)
Net interest, fee and commission income		334,690	377,067	322,384	358,735
Net gain (loss) on operations with securities and derivative financial instruments	3	89,227	(2,922)	90,390	(2,454)
Net foreign exchange result		8,247	9,953	8,369	9,190
Impairment losses and provisions	4	(681,681)	(99,894)	(684,746)	(95,152)
Other income	5	12,163	7,267	10,251	6,642
Personnel expenses	6	(83,430)	(97,923)	(81,087)	(92,248)
Depreciation and amortisation	7	(20,620)	(19,122)	(17,080)	(14,227)
Other administrative expenses	8	(93,141)	(91,564)	(79,889)	(86,660)
Profit (loss) before income tax		(434,545)	82,862	(431,408)	83,826
Income tax	9	27,672	(13,455)	28,779	(13,089)
Net profit (loss) for the year		**(406,873)**	**69,407**	**(402,629)**	**70,737**
Profit (loss) attributable to:					
Equity holders of the parent		(406,873)	69,407	(402,629)	70,737
Earnings per share (in LTL per share)					
Basic	10	(76.07)	17.86		
Diluted	10	(76.07)	17.86		

The accounting policies and notes on pages 66 to 139 are an integral part of these financial statements.

(all amounts are in LTL thousand, if not otherwise stated)

THE GROUP AND BANK STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Profit (loss) for the year	**(406,873)**	**69,407**	**(402,629)**	**70,737**
Other comprehensive income (expenses), net of tax available for sale assets revaluation	8,039	(4,956)	7,649	(4,543)
Total other comprehensive income, net of tax	8,039	(4,956)	7,649	(4,543)
Total comprehensive income(expenses) for the period, net of tax	**(398,834)**	**64,451**	**(394,980)**	**66,194**
Attributable to:				
Equity holders of the parent	(398,834)	64,451	(394,980)	66,194

The accounting policies and notes on pages 66 to 139 are an integral part of these financial statements.

AB DnB NORD Bankas
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(all amounts are in LTL thousand, if not otherwise stated)

THE GROUP AND BANK STATEMENT OF FINANCIAL POSITION

		Group		Bank	
	Notes	31 December 2009	31 December 2008	31 December 2009	31 December 2008
ASSETS					
Cash and balances with central banks	11	368,197	484,359	368,197	484,355
Due from banks	12	330,242	203,480	330,242	202,434
Trading securities	13	74,032	58,807	74,032	58,807
Securities designated at fair value through profit or loss	14	231,026	295,944	231,026	295,944
Derivative financial instruments	15	64,043	40,696	64,043	40,696
Securities available-for-sale	16	393,756	609,034	388,733	606,270
Loans and advances to customers	17	10,064,040	11,179,610	10,311,546	11,260,940
Finance lease receivables	18	501,731	901,735	-	-
Investments in subsidiaries	19	-	-	10,664	8,900
Property, plant and equipment	20	116,313	136,683	107,941	120,519
Investment property	21	754	-	-	-
Intangible assets	22	10,199	7,977	9,886	7,415
Deferred income tax asset	9	30,457	2,872	30,445	2,235
Other assets	23	123,968	36,453	13,559	12,998
Total assets		**12,308,758**	**13,957,650**	**11,940,314**	**13,101,513**
LIABILITIES AND EQUITY					
Due to banks	24	6,763,317	7,498,090	6,261,710	6,606,993
Derivative financial instruments	15	72,624	50,221	72,624	50,221
Due to customers	25	3,405,248	3,821,532	3,412,827	3,858,697
Debt securities in issue	26	814,045	1,179,048	814,045	1,179,048
Current income tax liabilities	9	307	9,634	-	9,349
Subordinated loans	27	403,540	405,387	403,540	405,387
Provisions	28	809	430	107,569	11,926
Other liabilities	29	43,067	49,954	57,409	35,603
Total liabilities		**11,502,957**	**13,014,296**	**11,129,724**	**12,157,224**
Equity attributable to equity holders of parent					
Ordinary shares	30	656,665	590,999	656,665	590,999
Share premium	30	282,929	277,218	282,929	277,218
Retained earnings		(340,505)	69,988	(335,425)	70,737
Reserves	31	206,712	5,149	206,421	5,335
		805,801	943,354	810,590	944,289
Total equity		**805,801**	**943,354**	**810,590**	**944,289**
Total liabilities and equity		**12,308,758**	**13,957,650**	**11,940,314**	**13,101,513**

These Financial Statements were signed on 24 February 2010:

W. Schilli
President

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 66 to 139 are an integral part of these financial statements.

(all amounts are in LTL thousand, if not otherwise stated)

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
	Issued shares	**Share premium**	**Financial assets revalua-tion reserve**	**Manda-tory reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance at 1 January 2008	**363,692**	**205,747**	**(5,876)**	**7,044**	**863**	**161,166**	**732,636**
Total comprehensive income	-	-	(4,956)	-	-	69,407	64,451
Depreciation transfer for land and buildings	-	-	-	-	(21)	21	-
Increase of share capital (by issuing ordinary registered shares from the retained earnings of the Bank)	181,846	(29,335)	-	-	-	(152,511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45,461	100,806	-	-	-	-	146,267
Transfer to mandatory reserve	-	-	-	8,095	-	(8,095)	-
Balance at 31 December 2008	**590,999**	**277,218**	**(10,832)**	**15,139**	**842**	**69,988**	**943,354**
Total comprehensive income	-	-	8,039	-	-	(406,873)	(398,834)
Depreciation transfer for land and buildings	-	-	-	-	(4)	4	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	65,666	5,711	-	-	-	-	71,377
Increase of reserve capital (by additional contributions of shareholders)					189,904		189,904
Transfer to mandatory reserve	-	-	-	3,624	-	(3,624)	-
Balance at 31 December 2009	**656,665**	**282,929**	**(2,793)**	**18,763**	**190,742**	**(340,505)**	**805,801**

The accounting policies and notes on pages 66 to 139 are an integral part of these financial statements.

(all amounts are in LTL thousand, if not otherwise stated)

BANK STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
	Issued shares	**Share premium**	**Financial assets revaluation reserve**	**Mandatory reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance at 1 January 2008	**363,692**	**205,747**	**(5,840)**	**6,849**	**863**	**160,517**	**731,828**
Total comprehensive income	-	-	(4,543)	-	-	70,737	66,194
Depreciation transfer for land and buildings	-	-	-	-	(21)	21	-
Increase of share capital (by issuing ordinary registered shares from the own funds of the Bank)	181,846	(29,335)	-	-	-	(152,511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45,461	100,806	-	-	-	-	146,267
Transfer to mandatory reserve	-	-	-	8,027	-	(8,027)	-
Balance at 31 December 2008	**590,999**	**277,218**	**(10,383)**	**14,876**	**842**	**70,737**	**944,289**
Total comprehensive income	-	-	7,649	-	-	(402,629)	(394,980)
Depreciation transfer for land and buildings	-	-	-	-	(4)	4	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	65,666	5,711	-	-	-	-	71,377
Increase of reserve capital (by additional contributions of shareholders)					189,904		189,904
Transfer to mandatory reserve	-	-	-	3,537	-	(3,537)	-
Balance at 31 December 2009	**656,665**	**282,929**	**(2,734)**	**18,413**	**190,742**	**(335,425)**	**810,590**

The accounting policies and notes on pages 66 to 139 are an integral part of these financial statements.

(all amounts are in LTL thousand, if not otherwise stated)

GROUP AND BANK STATEMENT OF CASH FLOWS

	Notes	Group		Bank	
		2009	**2008**	**2009**	**2008**
Operating activities					
Interest receipt		588,594	735,248	554,002	678,097
Interest payments		(341,642)	(441,827)	(308,627)	(397,894)
Collected previously written-off loans		2,803	3,277	2,803	3,277
Receipts from FX trading		64,396	17,740	64,396	17,740
Net receipt from operations in securities		15,790	7,202	15,754	7,183
Fee and commission receipt		74,787	85,974	73,917	81,977
Fee and commission payments		(16,422)	(17,454)	(16,146)	(17,275)
Salaries and related payments		(88,589)	(111,387)	(86,270)	(105,712)
Other payments		(80,972)	(84,297)	(69,638)	(80,018)
Net cash flows from operating profits before changes in operating assets and liabilities		218,745	194,476	230,191	187,375
(Increase) decrease in operating assets					
(Increase) decrease in loans to credit and financial institutions		11,606	217,974	(154,858)	196,679
(Increase) in loans granted		540,515	(2,475,206)	540,496	(2,475,083)
(Purchase) of trading securities		(1,706,930)	(185,073)	(1,706,930)	(185,073)
Proceeds from trading securities		1,695,475	127,741	1,695,475	127,741
(Increase) decrease in other assets		172,866	(143,870)	(28,768)	(7,635)
Change in operating assets		713,532	(2,458,434)	345,415	(2,343,371)
Increase (decrease) in liabilities:					
Increase (decrease) in liabilities to credit and financial institutions		(324,847)	2,421,014	(354,058)	2,443,255
Increase (decrease) in deposits		(427,718)	(423,502)	(427,998)	(423,113)
Increase (decrease) in other liabilities		(1,362)	(10,656)	8,335	(938)
Change in liabilities		(753,927)	1,986,856	(773,721)	2,019,204
Income tax paid		(8,827)	(22,441)	(8,543)	(21,991)
Net cash flows from operating activities		169,523	(299,543)	(206,658)	(158,783)
Investing activities					
Acquisition of property, plant , equipment and intangible assets		(7,455)	(16,983)	(7,362)	(12,933)
Disposal of property, plant, equipment and intangible assets		4,206	6,594	184	960
Purchase of available for sale securities		(5,871)	(13,498)	(1,927)	(10,423)
Proceeds from available for sale securities		228,921	123,876	225,989	122,876
Purchase of securities designated at fair value through profit or loss		(254,176)	(292,121)	(254,176)	(292,121)
Proceeds from securities designated at fair value through profit or loss		318,804	2,942	318,804	2,942
Dividends received		10	6	1,209	493
Interest received		40,559	34,688	40,296	34,631
Investment in subsidiaries		-	-	(1,764)	(20,071)
Net cash flows from investing activities		324,998	(154,496)	321,253	(173,646)

The accounting policies and notes on pages 66 to 139 are an integral part of these financial statements.

(all amounts are in LTL thousand, if not otherwise stated)

GROUP AND BANK STATEMENT OF CASH FLOWS (continued)

		Group		Bank	
	Notes	2009	2008	2009	2008
Financing activities					
Own debt securities redemption		(816,501)	(1,319,257)	(816,501)	(1,319,257)
Own debt securities issued		467,794	1,438,855	467,794	1,438,855
Increase in share capital		71,377	146,267	71,377	146,267
Increase in reserve capital		189,904	-	189,904	-
Received subordinated loans		-	141,565	-	141,565
Interest paid		(51,800)	(57,612)	(51,800)	(57,612)
Received loans		24,170	224,432	-	-
Repaid loans		(403,978)	(103,584)	-	-
Net cash flows from financing activities		(519,034)	470,666	(139,226)	349,818
Net increase in cash and cash equivalents		(24,513)	16,627	(24,631)	17,389
Net foreign exchange difference on cash and cash equivalents		(205)	358	(83)	(405)
Cash and cash equivalents at 1 January		551,957	534,972	551,953	534,969
Cash and cash equivalents at 31 December	34	527,239	551,957	527,239	551,953

The accounting policies and notes on pages 66 to 139 are an integral part of these financial statements.

GENERAL BACKGROUND

The name of AB DnB NORD Bankas was registered on May 12, 2006. The Bank as a joint stock company was registered on September 13, 1993. The Bank possesses a license issued by the Bank of Lithuania, which entitles to provide financial services established in the Law of the Republic of Lithuania on Banks and the Law of the Republic of Lithuania on Financial Institutions.

The Bank accepts deposits, issues loans, makes money transfers and documentary settlements, exchanges currencies for its clients, issues and processes debit and credit cards, is engaged in trade finance and is investing and trading in securities as well as provides other financial services established in the Law of the Republic of Lithuania on Banks and on Financial Institutions.

As at 31 December 2009 the Bank owned the following subsidiaries:

- UAB DnB NORD Lizingas (leasing activities),
- UAB DnB NORD Investicijų Valdymas (investment asset management activities),
- UAB DnB NORD Būstas (real estate brokerage),
- UAB Intractus (real estate management, development and sale). Company was registered on Legal Entities, State enterprise Centre of Register on 6 August 2009.

As at 31 December 2009 the Bank owned 100% of the share capital of the UAB DnB NORD Lizingas, UAB DnB NORD Investicijų Valdymas, UAB Intractus and 75.47% of the share capital of the UAB DnB NORD Būstas. UAB DnB NORD Lizingas owned 24.53 % of the share capital of the UAB DnB NORD Būstas. As at 31 December 2009 AB DnB NORD Bankas Group (hereinafter referred to as "the Group") in Lithuania consisted of AB DnB NORD Bankas and its subsidiaries UAB DnB NORD Investicijų Valdymas, UAB DnB NORD Lizingas, UAB DnB NORD Būstas and UAB Intractus.

The head offices of the Bank and subsidiaries UAB DnB NORD Investicijų Valdymas and UAB Intractus are located in Vilnius, Basanavičiaus str. 26, the head office of UAB DnB NORD Lizingas is located in Vilnius, Žalgirio str. 92, the head office of UAB DnB NORD Būstas is located in Vilnius, Karmelitų str. 3. At the end of the reporting period the Bank had 85 client service outlets (2008: 84 client service outlets) of which 18 customer service branches and 67 customer service subbranches. As at 31 December 2009 the Bank had 1,263 employees (2008: 1,229 employees). As at 31 December 2009 the Group had 1,282 employees (2008: 1,312 employees).

As at 31 December 2009 all 5,710,134 (2008:5,139,120) number of the ordinary registered Bank's shares are admitted to the Additional Trading List on Vilnius Stock Exchange. As disclosed in Note 30, *Share capital*, Bank DnB NORD A/S (DK) is the single largest shareholder holding 99.92% (2008: 93.68%) of the Bank's shares. The Bank DnB NORD, registered in Denmark, is a joint venture of Norwegian largest Bank DnB NOR (51%), the Ultimate parent of AB DnB NORD bankas, and the German Bank Norddeutsche Landesbank (NORD/LB)(49%).

Going concern

Global financial crisis accompanied by a sharp down-turn of the local economy in 2009 were the factors that affected adversely operating environment and the development of the entire banking sector, including AB DnB NORD Bankas.

It was evident at the beginning of 2009 that both global and local financial sector would continue facing severe challenges. The negative processes persisting since 2008 showed their maximal impact in the first quarter of 2009, such as the drop of the securities market, the liquidity deficit as well as lack of trust between financial institutions. The above processes producing an adverse effect on the global economy facilitated worsening of the financial position of businesses and households.

This was a year of major challenges for Lithuanian's economy. The year saw a sharp drop of GDP in Lithuania's national economy - GDP at constant prices for the fourth quarter of 2009 fell by 12.8% against the corresponding period of the prior year. During the reporting year the unemployment rate in Lithuania was growing, reaching 15.6% of the economically active population by the end of the year.

The above tendencies had a tremendous impact on corporate and private customers' ability to serve their credit obligations what in turn resulted in record high impairment losses in Lithuanian banking sector in 2009, AB DnB NORD bankas being not an exception.

As the Bank is part of international Bank DnB NORD A/S group, liquidity and capital management is performed on Bank DnB NORD A/S group level and as a part of this management process for 2009 adequate liquidity of Group and the Bank in full compliance with prudential requirements set by Bank of Lithuania and AB DnB NORD bankas internal liquidity guidelines was ensured. As a part of capital management process in 2009 share capital of the Bank was increased by LTL 71 million and additionally there was increase of reserve capital by direct contribution in the amount of LTL 190 million.

The Bank's capital ensures the most optimum relationship between risk and return. In 2009, the Bank's capital adequacy ratio exceeded the 10% limit considerably, reaching as much as 11.3% -11.9%. As of 31 December 2009 CAD ratio stood at 11.4% (31 December 2008 – at 11.6%).

In spring 2009 the macroeconomic indicators of the world's leading countries started to show positive economic tendencies, owing to the economic stabilisation programmes. Another result is better psychological climate, which is evidenced by the noteworthy improvement of customer confidence. All these factors promoted the growth of optimism of financial market players, which was followed by the first considerable growth of prices on the securities markets since the crisis set on at the beginning of 2008.

Changes in the consumer sentiment was yet another reflection of the stabilising macroeconomic situation in Lithuania, which has resulted in early signs of stabilisation of real estate prices at the end of the year 2009 as well as the increase of the number of real estate transactions made in the country. Economic uncertainty tends to ease, which is evidenced by the fact that in the fourth quarter of 2009 Lithuania's GDP grew by 0.5% compared to the third quarter of 2009 (according to the seasonally and working days adjustment data). In March 2010 international rating agency Fitch Ratings revised outlook of Lithuania's sovereign borrowing ratings from negative to stable. At same time the rating agency affirmed long term borrowing rating of AB DnB NORD bankas at a "A" and revised the outlook from negative to stable.

Ensuring the continuity of viable business model in the adverse economic environment as well as steady and predictable cash flows are the key objectives set for the year 2010 by the Group and the Bank. The Group and the Bank has assessed the scenarios for the year 2010 and defined necessary measures aimed at maintenance of its liquidity and capital planning, indicating potentially required additional financing in form of Tier 1 capital in the amount up to LTL 224 million. The plan continued to be based on a scenario assuming that Lithuania's GDP will contract in 2010 year-on-year despite early signs of economic stabilization seen at the start of the year. The Bank's outlook contrasts the government's official economic estimate for 2010 that was revised upwards in February to annual GDP growth of 1.6 pct.

The board of directors of the Bank DnB NORD A/S (the parent bank, Denmark) at their meeting on 11 March 2010 confirmed capital plan for 2010 for the whole Bank DnB NORD group, including capital needs of AB DnB NORD Bankas.

It is important to mention that following announcement of DnB NOR Bank ASA ("DnB NOR") "On 30 December 2009, the Board of Directors of DnB NOR has decided to initiate the evaluation period of the shareholder agreement between DnB NOR and NORD/LB ("NORD L/B") relating to Bank DnB NORD A/S ("DnB NORD") as it regards DnB NORD's geographic area of operations as an area with good future earning potential, and will, during the evaluation period, consider whether to acquire Norddeutsche Landesbank Girozentrale's ("NORD L/B") ownership interest in DnB NORD.

The period commenced on 31 January 2010 and it will end on 31 July 2010. After the expiry of the evaluation period, DnB NOR will have the right to acquire NORD/LB's ownership interest in DnB NORD, but in that event, NORD/LB will have the right to take over DnB NORD's Polish operations. If DnB NOR does not avail itself of the right to acquire NORD/LB's ownership interest in DnB NORD, NORD/LB will be entitled to transfer its ownership interest in DnB NORD to DnB NOR or to take over the ownership interest of DnB NOR. If NORD/LB chooses to transfer its ownership interest in DnB NORD to DnB NOR, DnB NOR can choose not to take over DnB NORD's Polish operations."

As evaluation period is currently open, implementation of Bank DnB NORD A/S wide capital management during this period might require additional rounds of consultations and specific agreements between DnB NOR and NORD/LB, as it is dependent on additional financing from parent banks.

Taking in to account the above uncertainty, the management has made reasonable judgements and estimates aimed at sustaining the Bank as going concern in 2010 and beyond. Having assessed the impact of the latest developments in Lithuania's economy and global trends on operating environment and having consistent and full backing from the Bank DnB NORD A/S to its subsidiary, the Bank's management is confident that AB DnB NORD bankas is in a strong position to continue meeting consistently mandatory requirements set by the Bank of Lithuania and continue sound operations according to its financial plans.

Therefore, these consolidated and separate financial statements for the year ended 31 December 2009 are prepared on a going concern basis, consistently applying International Financial Reporting Standards as adopted in the European Union.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation of financial statements

The financial statements of the Group and the Bank are prepared in accordance with International Financial Reporting Standards effective as of 31 December 2009 that have been adopted for use in European Union. The financial statements are prepared on a historical cost basis, except for of available-for-sale investment securities, securities designated at fair value through profit or loss, financial assets and financial liabilities held for trading and all derivative financial instruments, that have been measured at fair value.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the parent Bank. In addition the financial information of Financial group is presented in Note 38 in accordance with the requirements of the Bank of Lithuania.

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IFRS 8 *Operating Segments;*
- Amendment to IAS 1 *Presentation of Financial Statements;*
- Amendment to IAS 23 *Borrowing Costs;*
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*
- Amendment to IFRS 2 *Share-based Payment;*
- Amendments to IFRS 7 *Financial Instruments: Disclosures;*
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation;
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* – Embedded derivatives;
- IFRIC 13 *Customer Loyalty Programmes;*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;*
- IFRIC 15 *Agreement for the Construction of Real Estate;*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation;*
- Improvements to IFRS (issued in 2008 and effective on 1 January 2009).

The principal effects of these changes are as follows:

IFRS 8 *Operating Segments*
IFRS 8 replaced IAS 14 *Segment Reporting*. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note *Segment Information*, including the related revised comparative information.

Amendment to IAS 1 *Presentation of Financial Statements*
This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Group has elected to present its comprehensive income in two statements.

Amendment to IAS 23 *Borrowing Costs*
The amendment requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The amendment did not have any impact on Group’s financial statements.

The other standards and interpretations and their amendments adopted in 2009 did not impact the financial statements of the Group, because the Group did not have the respective financial statement items and transactions addressed by these changes.

Standards issued but not yet effective

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

Amendment to IFRS 2 *Share-based Payment* (effective for financial years beginning on or after 1 January 2010, once adopted by the EU).
The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 July 2009).
Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. In accordance with the transitional requirements of these amendments, the Group will adopt them as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards will not be restated.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2013, once adopted by the EU).
IFRS 9 will eventually replace IAS 39. The IASB has issued the first part of the standard, establishing a new classification and measurement framework for financial assets. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 24 *Related Party Disclosures* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU).
The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group.

Amendment to *IAS 32 Financial Instruments: Presentation* – Classification of Rights Issues *(*effective for financial years beginning on or after 1 February 2010).
The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have such instruments.

Amendment to *IAS 39 Financial Instruments: Recognition and Measurement* – Eligible Hedged Items *(*effective for financial years beginning on or after 1 July 2009).
The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Improvements to IFRSs
In May 2008 and April 2009 IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The second omnibus, issued in April 2009, is still to be adopted by the EU. The adoption of the following amendments (all not adopted by the EU yet) may result in changes to accounting policies but will not have any impact on the financial position or performance of the Group:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 *Operating Segments*. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 7 *Statement of Cash Flows*. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- *IAS 36 Impairment of Assets.* The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

Other amendments resulting from Improvements to IFRSs to the following standards will not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 *Share-based Payment;*

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

- IAS 1 *Presentation of Financial Statements;*
- IAS 17 *Leases;*
- IAS 38 *Intangible Assets;*
- IAS 39 *Financial Instruments: Recognition and Measurement;*
- IFRIC 9 *Reassessment of Embedded Derivatives;*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation.*

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 29 March 2009).
This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

Amendment to IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU).
The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the consolidated financial statements because the Group does not have defined benefit assets.

IFRIC 17 *Distributions of Non-cash Assets to Owners* *(*effective for financial years beginning on or after 31 October 2009).
The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the consolidated financial statements because the Group does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers* *(*effective for financial years beginning on or after 31 October 2009).
The interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the consolidated financial statements because the Group does not have such agreements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 April 2010, once adopted by the EU).
The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Group does not have such transactions, IFRIC 19 will not have any impact on its consolidated financial statements.

Use of estimates in the preparation of financial statements

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

Impairment losses on loans
The Bank and the Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when assessing 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.

Fair value of financial assets
Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. For fair value of financial assets and liabilities see Notes 13-16.

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

Deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For carrying amounts see Note 9.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Consolidation

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Subsidiaries in the stand-alone financial statements are accounted at cost – that is the income from the investment is recognized only to the extent that the bank receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in litas, which is the Bank's and subsidiaries’ functional and presentation currency.

All monetary assets and liabilities denominated in foreign currencies are translated into Lithuanian litas (LTL) at the official rate of the Bank of Lithuania prevailing at the reporting period end. Gains and losses arising from this translation are included in the income statement for the period. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

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

Recognition of income and expenses

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within ‘interest income’ and ‘interest expense’ in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Incomes and expenses of fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately.

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

Other expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually accounted for as the amount paid or due

Dividend income

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

Taxation

Income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 20% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation. Income tax rate valid for 2008 was 15%.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Where an overall deferred taxation asset arises, this is only recognised in the financial statements to the extent that its recoverability can be foreseen by the management as being highly probable.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principle temporary differences arise from securities revaluation and intangible assets, property, plant and equipment accounting (for tax purposes VAT is not added to the value of those items).

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is highly probable that future taxable profits will be available against which these losses can be utilised.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities. The losses from disposal of securities can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.
Deferred tax related to fair value re-measurement of available-for-sale investments which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

Other taxes

Other taxes are included in other expenses in the income statement.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the cash, other valuables, correspondent bank account balances, correspondent account and one night deposits with the Bank of Lithuania and short-term treasury bills with the maturity term of less than three months.
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets

Financial assets are classified into these groups: financial assets designated at fair value through profit or loss, loans and receivables, financial assets available for sale. Management determines the classification of its investments at initial recognition.

Financial assets designated at fair value through profit or loss

Securities designated at fair value through profit or loss

Securities classified in this category are designated at fair value through profit or loss on initial recognition when the following criterias are met:

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

• that type of classification eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases; or
• a group of securities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of these assets is provided internally to Bank's management.

Securities designated at fair value through profit or loss are recognized at settlement date, which is the date that an asset is delivered to or by the Group. They are initially recorded in the balance sheet at fair value. Changes in fair value are recorded in net gain (loss) on operations with securities. Interest earned whilst holding securities is reported as interest income.

Trading securities

Trading securities are securities which were acquired either for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at fair value, which is based on quoted bid prices or derived from a discounted cash flow model if market price is unreliable measure. All related realised and unrealised gains and losses are included in net trading income or expenses. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at settlement date, which is the date that an asset is delivered to or by the Group.

Derivative financial instruments

Derivative financial instruments including foreign exchange forwards, swaps, options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at their fair value on the settlement date. Fair values are obtained from quoted market prices. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in net trading income.

Certain derivatives embedded in other financial instruments, such as index linked options in bond issued or deposits, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in income.

Fair values of the derivative financial instruments are disclosed in Note 15.

Available for sale securities

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available for sale securities are initially recognised at fair value based on quoted bid prices or amounts derived from discounted cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised directly in equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However interest calculated using the effective interest rate is recognised in profit or loss.

Interest earned whilst holding securities is reported as interest income. Dividends receivable are included separately in dividend income when the right of the payment has been established.

All regular way purchases and sales of securities are recognised at settlement date, which is the date that an asset is delivered to or by the Group. All other purchases and sales are recognised as derivative forward transactions until settlement.

Reverse repurchase agreements

The securities purchased under agreements to resell are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

over the life of the agreements using the effective interest method. Securities lent to counterparties are also continued to be recognised in the financial statements.

Reverse repurchase agreements are classified as loans and receivables and are accounted for using the amortised cost method.

Loans

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the bank upon initial recognition designates as at fair value through profit or loss; (b) those that the bank upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans are carried at amortised cost using the effective interest method.

Loans and advances are recognised at their settlement date, when cash is advanced to borrowers. From the date of signing a contractual agreement till the settlement date they are accounted for as off balance sheet items.

Impairment losses on loans, available for sale assets, finance lease receivables and other assets

Losses on loan impairment are established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, based on financial asset's original effective interest rate. If loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. The criteria that the Group uses to determine whether there is objective evidence of an impairment include:

- Delinquency in contractual payments of principal or interest;
- Significant financial difficulties of the borrower or issuer;
- Due to economic or legal reasons pertaining to financial difficulties of the borrower the latter benefits from allowance, which otherwise would not be granted by the Bank;
- Initiation of bankruptcy or reorganisation process against the borrower or issuer;
- Cessation of the active market of debt securities caused by financial difficulties;
- Breach of loan conditions, infringement of other covenants related to loan issue;
- Default on obligations by persons related to the borrower;
- Suspension or revocation of the license held by the borrower or issuer engaged in licensed activity (production and sales of alcoholic beverages, trade in oil products, medical, educational and training practice, sale of electricity to independent consumers, etc.);
- Deterioration in the value of collateral.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In order to assess whether the financial assets are impaired collectively they are grouped into homogeneous groups according to customer segment, type of assets and delinquency in contractual payments. The Group also collectively assesses the impairment for the financial assets, when loss event has occurred but it cannot be attributed neither to particular type of assets nor to the particular group of assets.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been determined.

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

If in subsequent period the amount of the impairment loss decreases and that decrease can be related objectively to an event (such as an improvement in the debtor's credit rating) occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement as reducing the impairment charge for credit losses.

In the case if investments are classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due.

Derecognition of financial assets and liabilities

<u>Financial assets</u>

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Bank and the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank and the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank and the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank and the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank and the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's and the Group's continuing involvement is the amount of the transferred asset that the Bank and the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's and the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

<u>Financial liabilities</u>

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method over their estimated useful life.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefic is expected from its disposal. The difference between the net disposal proceeds anf the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property, plant and equipment

Property, plant and equipment are held at historical cost less accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis to write off proportionally the cost of each asset over its estimated useful life.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are charged to the income statement.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Leases

Group company is the lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease and included into other administrative expenses.

Group company is the lessor

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Initial direct costs are included in the initial measurement of the lease receivables.

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

Assets / funds under management and related liabilities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

Bank's assets under management include loans that are managed by the Bank in the name of the Lithuanian Ministry of Finance and the Lithuanian Ministry of Agriculture. Assets under management equal funds under management and are accounted for off-balance sheet.

Debt issued and other borrowed funds

Issued financial instruments and their components, which are not classified at fair value through profit or loss, are classified as financial liabilities, where the substance of the contractual arrangement results in the Bank and the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Borrowings (including debt securities issued) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate. Borrowings are recognised on the day of settlement.

The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on valuation technique whose variables include only data from observable markets.

The Group has issued index linked bonds where fair value of the embedded derivative is determined by comparison with observable current market transactions in the same instrument. The fair value of the host contract is determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of the fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value is deferred and is not recognised immediately in the profit and loss.

The financial instrument is subsequently measured at amortised cost, adjusted for the deferred profit or loss.

Employee benefits

Social security contributions

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

Termination benefits

Termination benefits are payable when an employee's employment is terminated on initiative of employer or the employment is terminated by mutual employee's and employer's agreement. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within staff costs in the income statement and within other liabilities in the balance sheet.

Segment reporting

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

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expense relating to any provision is recognised in the income statement. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Financial guarantees and credit-related commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of the financial guarantee on the initial recognition does not include the gross receivable for future premiums not yet due. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee or the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

Documentary and commercial letters of credit represent written undertakings by the Bank and the Group on behalf of a customer authorising a third party to draw drafts on the Bank and the Group up to a stipulated amount under specific terms and conditions.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Fair value of assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. The Group is in accordance with IAS 39 using a mark-to-model approach for the measurement of fair value of their bond portfolio. IAS 39 stipulates that in the case of active markets the measurement of fair value has to be carried out by using market prices and other relevant information available for the financial instrument. For financial instruments traded in organised financial markets the fair value is determined by reference to quoted market prices. The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. In the case of inactive markets the establishment of valuation techniques for measuring the fair value is provided. Due to the current situation in the bank bond market and the market for Latvian, Lithuanian and Polish government bonds were - among others - in 2008 partly not any longer functioning in the usual way and in many cases considered as being inactive.

The Group is following a common approach of Group Bank DnB NORD by using a cash-flow-based mark-to-model-approach that firstly provides the proof of whether the market for that asset isactive or inactive and secondly measures the fair value by taking the probability of default of the issuer into account (also other factors such as risk free interest, LGD etc). The calculated model rate reflects from an investor's point of view a yield that pays the expected loss and includes furthermore reasonable interest on unexpected losses.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Off-balance sheet items

Off-balance sheet derivative transactions are normally marked to market at the reporting date and any arising profit or loss is recognised in the income statement for the period and treated as an asset or liability in the balance sheet respectively.

All liabilities that give rise to balance sheet exposures are accounted for as off balance sheet liabilities. This allows the Bank and the Group to assess capital requirement and to allocate funds required to cover those obligations.

(all amounts are in LTL thousand, if not otherwise stated)

ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Earnings per share

Basic earnings per share amounts are calculated by dividing net result for the year attributable to ordinary equity holders of the parent by the weighted number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net result attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Subsequent events

Post-year-end events that provide additional information about the Bank's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

FINANCIAL RISK MANAGEMENT

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

The Group's financial risk management is based on the best practice of the institutions having similar complexity of the products and services as well as the extent of the activities.

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

In the Internal Capital Adequacy Assessment Process (ICAAP) the Group assesses the material risks it is exposed to that are not captured or are not fully captured by the Pillar I requirements for the capital adequacy calculation. The most significant risks that were identified during ICAAP are the following:
-concentration risk and residual risk as part of the credit risk;
-interest rate risk arising from the banking book as the part of the market risk;
-business risk;
-model risk.

The Bank aims to design an organizational structure which would ensure effective and reliable governance both at the Bank and the entire Group level.

The risk management function of the Group is organised in such a way that ensures efficient risk management and facilitates the realisation of the tasks stipulated in the Risk management strategy. The management of separate risks of the Group is under responsibility of structural units within their competence limits. The control of all material risks management is under responsibility of the Financial Risk Department, risk management processes and internal control functioning are assessed by the Internal Audit Department.

The liquidity and market risk management is centralised following the common methodology defined by the Assets and Liabilities Management Committee (herinafter referred to as 'ALCO') of the international DnB NORD Group. The credit risk management is based on the Credit Risk Management Policy of the international DnB NORD Group.

The Management Board approves the procedures and risk mitigation measures associated with the risk management. The decisions and regulations of liquidity and market risk are delegated to the non-structural unit - Risk Management Committee (hereinafter referred to as 'RMC'). The aim of RMC is to adopt and implement decisions of international DnB NORD group ALCO in operations of the Bank as well as to regulate asset and liability management via transfer price system, setting of internal limits, etc. The regular monitoring of financial risks is performed by the Bank's Financial risk management department.

During the year 2009 there were no substantial changes to the risk management processes of the Group and the Bank except for those mentioned in this document below.

1. Credit risk

Credit risk means the risk for the Group to incur losses due to the Group's customers' failure to fulfill their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group's business. The stress-testing results show that the Bank's probable loss resulting from the credit risk accounts for major part of all probable losses.

According to the Group's Credit Policy, the principal objective for credit activity is that the loan portfolio should have a quality and a composition which ensures Bank's profitability in the short and long term. The target loan portfolio of the Bank should maintain the credit risk profile varying from low to moderate.

There is also credit risk in investment activities that arise from debt securities and in the Group's asset portfolio as well as in the off-balance sheet financial instruments, such as loan commitments, guarantees and letters of credit.

Credit risk management is an independent function from the front-office. Decisions for granting of loans are made at the different levels of competence, depending on the loan volume. Final approval of large and risky loans is done by a collegial body of a certain competence (Management Board or Supervisory Council of the Bank).

The Group's management bodies are kept informed on developments in credit risk assumed by means of regular reports.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

1.1. Credit risk measurement

(a) Loans and advances

Credit risk is managed by carrying out a thorough analysis of the customer before issuing credits and by monitoring thereof after the credit disbursement.

The credit risk is assessed by using customer / product segment specific scoring (application scorings for loans to private individuals) and rating instruments, which are used for homogeneous groups of customers:
-corporates,
-small and medium-sized enterprises (hereinafter referred to as "SMEs"),
-single ownership companies,
-companies starting business,
-individuals,
-real estate projects of the legal entities (these rating tools are implemented in the year 2009).
These instruments are constantly improved and tested for reliability following the results of the analysis of historical data on the credit risk related losses.

The internal scoring and rating instruments are applied for decision making, pricing and monitoring.

(b) Debt securities

Debt securities are in the region of 5 per cent of the total assets of the Group, therefore the credit risk arising from them is considered as being immaterial. Credit risk exposures are managed by carrying out borrower analysis when decision for acquisition of securities is made. Ratings of external rating agencies as well as internal ratings assigned by the parent Bank DnB NOR in case the borrower is a bank are important factors in decision making. The concentration risk arising from debt securities portfolio is analysed and monitored on a regular basis as well.

1.2. Risk limit control and mitigation policies

(a) Concentration risk

The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors.
The Group's portfolio of the products bearing credit risk is well diversified in regards to lending to the groups of the connected borrowers and a single borrower.

Lending activities to the economic sectors are regarded as being more risky and are monitored and controlled more strictly. Complimentary to the Bank of Lithuania requirements to limit the exposures to a single borrower or the group of related borrowers and large exposures, the Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group level is restricted by the internal lending limits. Percentage and volume lending limits are set for individual industries. These limits, which are approved by the Management Board, are set based on annual rating of industries performed by the Economic Research Unit, macroeconomic analysis, current loan portfolio structure, incurred losses by economic sectors, the Group's strategic plans.

In the year 2009, the loan portfolio of the Group was well diversified by industries and in this regard was less risky than in 2008.

The Group follows the conservative risk management policy and uses the 10% "hair-cut" from the following legally allowable limits imposed on:
1. Maximum exposure to a single borrower (Note 39);
2. Large exposures (Note 39);
3. Lending to Bank related parties (Note 38).

The geographical concentration risk is not recognised in the Group's business since the principle of focusing on domestic customers is followed. The limits are set and monitored centrally at the Group level. The limits imposed on the credits issued are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary.

Some other specific control and mitigation measures are outlined below.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

(b) Collateral

The Group mitigates credit risk through taking of security for funds advances. Types of collateral considered by the Group as the most acceptable for loans and advances are the following:
• Real estate (mainly residential properties, commercial real estate);
• Business assets (equipment, inventory, transport vehicles);
• Property rights over financial instruments (debt securities, equities, cash);
• Guarantees.

The term of the loans is taken into account when considering the type of collateral, a priority for long-term loans being the long-term property, mainly residential properties or long-term equipment.

Long-term financing and lending to corporate entities are generally secured; revolving facilities and consumer loans to private individuals are usually unsecured. In order to minimise the credit loss as the impairment indicators for the relevant individual loans and advances are noticed the Group may seek additional collateral from the counterparty.

Debt securities, treasury and other eligible bills are generally unsecured.

For finance lease receivables the lender remains the owner of the leased object. Therefore, in case of customer default it is able to gain control on the risk mitigation measures and realize them in rather short period.

(c) Derivative financial instruments

The credit risk arising from derivative instruments is managed by strict control on net open derivative positions. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

(d) Credit-related commitments

Other credit-related commitments assumed by the Group include guarantees, letters of documentary credit, commitments to grant a credit which expose the Group to the same credit risk as the loans do. The key aim of these instruments is to ensure that funds are available to a customer as required. The aforementioned commitments are collateralised either by the funds in a Bank's account, by material assets (real estate being the preference) or other collaterals such as guarantees. With respect to credit risk arising from commitments to extend credit, the Group is exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customer's ability to repay the loans already granted.

1.3. Impairment policies

Upon assessing impairment losses on loans, available for sale assets and other assets the Group follows the requirements of IAS 39 Financial instruments: recognition and measurement. Impairment losses are recognized for financial reporting purposes only for those losses that have been incurred due to the loss events that have taken place before the balance sheet date based on objective evidence of impairment. By contrast, the Group employs expected loss concept for credit risk measurement in decision making, pricing, monitoring of credit risk related exposures and capital management.

Valuation of impaired large exposures that are above materiality thresholds is performed at least quarterly or more frequently when individual circumstances require. The impairment losses for impaired large exposures are made based on individual valuation under the discounted cash flow method, where both future cash flows from borrower's operations and cash flows from collateral are taken into account. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows discounted based on the original effective interest rate. Changes in provisions against impaired large exposures are approved by the Management Board.

The impairment allowances for impaired small exposures (most of them are Bank's retail customers: individuals, farmers, SMEs) are made based on the long-run historical data on actual losses of the respective segment and expert judgment. This methodology enables an accurate assessment of the anticipated loss of a high number of the impaired small exposures and at the same time it provides a possibility to focus on the individual assessment of the Bank's largest impaired borrowers under the discounted cash flow method.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The Group collectively assesses the impaired loans of which the impairment losses are not yet identified. This type of assessment methodology enables the Group to evaluate the possible impairment of loans and advances at an earlier stage. The objective evidence that the group of assets is impaired collectively is either a deteriorating economic situation which is analysed particularly by the riskiest economic sectors, or trend of delinquency in payments. The calculation methodology for the collectively assessed loans having loss event which is not yet identified relies on historical data about the payments and loan impairment losses analysed by client's economic activity.

Valuation of finance lease receivables follows broadly the same concept as described above. Impairment events for finance lease receivables are the same as for loans.

The loans and advances are written off when the Group does not expect any significant cash flows neither from the borrowers activities nor from the realisation of the collateral. The write off of the loans and advances is performed periodically.

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

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Credit risk exposures relating to on-balance sheet assets are as follows:				
Cash and balances with central banks	**368,197**	**484,359**	**368,197**	**484,355**
Due from banks	**330,242**	**203,480**	**330,242**	**202,434**
Loans and advances to customers:	**10,064,040**	**11,179,610**	**10,311,546**	**11,260,940**
Loans and advances to financial institutions	**216**	**45,970**	**247,703**	**127,300**
Loans to individuals (retail):	**4,776,066**	**5,143,002**	**4,776,066**	**5,143,002**
- Consumer loans	398,487	609,992	398,487	609,992
- Mortgages	3,781,151	3,901,607	3,781,151	3,901,607
- Loans secured by equity linked bonds issued by Bank	545,429	593,324	545,429	593,324
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)	50,999	38,079	50,999	38,079
Loans to business customers:	**5,287,758**	**5,990,638**	**5,287,777**	**5,990,638**
- Public authorities, state and municipal entities	397,369	169,747	397,369	169,747
- Large corporates	2,554,454	2,932,840	2,554,454	2,932,840
- SMEs	2,059,335	2,540,086	2,059,354	2,540,086
- Farmers	258,794	339,461	258,794	339,461
- Other	17,806	8,504	17,806	8,504
Finance lease receivables	**501,731**	**901,735**	**-**	**-**
- Individuals	45,461	59,560	-	-
- Business customers	456,270	842,175	-	-
Trading assets:	**74,032**	**58,807**	**74,032**	**58,807**
- Debt securities	74,032	58,796	74,032	58,796
- Equity securities	-	11	-	11
Securities designated at fair value throught profit or loss	**231,026**	**295,944**	**231,026**	**295,944**
- Debt securities	231,026	295,944	231,026	295,944
Derivative financial instruments	**64,043**	**40,696**	**64,043**	**40,696**
Securities available for sale	**393,756**	**609,034**	**388,733**	**606,270**
- Debt securities	392,159	607,432	387,903	605,426
- Equity securities	1,597	1,602	830	844
Credit risk exposures relating to off – balance sheet items are as follows:	**907,830**	**1,569,433**	**1,854,588**	**2,732,790**
- Financial guarantees	188,153	229,863	700,167	834,995
- Loan commitments and other credit related liabilities	719,677	1,339,570	1,154,421	1,897,795
December 31	**12,934,897**	**15,343,098**	**13,622,407**	**15,682,236**

The table above represents a worst case scenario of credit risk exposure at 31 December 2009 and 2008, without taking into account any credit risk mitigation techniques. On-balance sheet assets are reported above based on net carrying amounts as they appear in the balance sheet.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Large corporates are legal entities with annual turnover higher than LTL 70 million, while SMEs are legal entities with annual turnover up to LTL 70 million.

Loans and advances to banks and customers account for 80 % of the total maximum exposure of the Group (2008: 74%) and for 78% of the total maximum exposure of the Bank (2008: 73%).

Management is confident in its ability to control and sustain an optimal exposure of credit risk to the Group:
- During economy downturn, as the creditworthiness of the custormers is constantly decreasing, this is also reflected in the quality of the portfolio of loans and advances to customers which deteriorated significantly in terms of the ratio of impairment losses to the respective Group's portfolio, which in 2007 and 2008 stood at 0.62% and 1.0% respectively whereas in 2009 it rose up to 6.2%;
- Mortgage loans and 73% of loans and advances to business customers are secured by collateral (see paragraph 1.5(e) for more detailed information on collateralization);
- The Group has introduced more stringent standards for granting of loans and advances and improved its scorings and rating tools helping in decision making and monitoring, enabling better pricing of risk.

1.5. Loans and advances

Loans and advances are summarized as follows:

Group

	31 December			
	2009		2008	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	6,877,855	330,242	8,775,710	203,480
Past due but not impaired	2,073,671	-	2,146,035	-
Impaired	1,779,826	-	372,388	-
Gross	**10,731,352**	**330,242**	**11,294,133**	**203,480**
Less: allowance for impairment	(667,312)	-	(114,523)	-
Net	**10,064,040**	**330,242**	**11,179,610**	**203,480**

Bank

	31 December			
	2009		2008	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	7,125,361	330,242	8,857,040	202,434
Past due but not impaired	2,073,671	-	2,146,035	-
Impaired	1,779,826	-	372,388	-
Gross	**10,978,858**	**330,242**	**11,375,463**	**202,434**
Less: allowance for impairment	(667,312)	-	(114,523)	-
Net	**10,311,546**	**330,242**	**11,260,940**	**202,434**

Past due but not impaired loans and advances mean loans and advances that are past due but have no individual allowances for impairment.

Impaired loans and advances mean loans and advances that have individual allowances for impairment.

During the year ended 31 December 2009, the Group's total loans and advances decreased by 5%. The Group's total impairment allowance for loans and advances is LTL 667,312 thousand (2008: LTL 114,523 thousand) and it accounts for 6.2% of the respective portfolio (2008: 1.0%). The Group's impaired loans and advances to customers make up 16.6% of the respective portfolio (2008: 3.3%). The reason for such an increase is that the greater part of loans and advances to business customers is impaired compared with the results of the year 2008 as well as the dimishing creditworthiness of the Group customers in general.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

a) Loans and advances neither past due nor impaired

Credit risk of lending to banks is assessed at international DnB NORD Group level, which as well sets exposure limits for different credit risk related products based on the results of these assessments.

All loans and advances to financial institutions are considered as standard exposures for the purpose of credit quality analysis. There were no impaired loans and advances to financial institutions.

Loans to individuals are assessed based on application scorings when decision is made. After the loans are granted they are monitored, the customer's status is evaluated using the behavioral scoring tool.

Credit quality of loans to individual and business customers is disclosed in the tables below according to the masterscale implemented at the beginning of 2009, which is used in the whole international DnB NORD Group. Loans as of 31 December 2008 were reclassified according to the newly implemented masterscale as well in order to achieve comparability with the previous year.

Rating grades are linked with one year horizon probabilities of default, i.e. with probabilities that customer will become unable to perform on its financial obligations to the bank within one year after assignment of rating grade. Probability of default for low risk rating grades (1 to 4) is in the range from 0.00% to 0.75%, for moderate risk rating grades (5 to 7) it is from 0.75% to 3.00%, while it is more than 3.00% for high risk (from 8 to 11).

31 December 2009

	Bank loans to customers		
	Business customers	Individual customers	Total
Low risk	578,929	2,685,948	3,264,877
Moderate risk	1,766,534	333,482	2,100,016
High risk	1,079,906	432,917	1,512,823
Total	**3,425,369**	**3,452,347**	**6,877,716**

31 December 2008

	Bank loans to customers		
	Business customers	Individual customers	Total
Low risk	582,845	2,573,201	3,156,046
Moderate risk	3,495,826	968,496	4,464,322
High risk	619,791	492,603	1,112,394
Total	**4,698,462**	**4,034,300**	**8,732,762**

b) Loans and advances past due but not impaired

Gross amount of loans and advances are reported in the tables below. At 31 December 2008 and 2009 there were no past due but not impaired loans in category "Loans and advances to banks" neither at Bank nor at the Group level.

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding types of collateral. In subsequent periods, the fair value of collateral is updated when exposure becomes impaired or regular monitoring of material credit risk related exposures indicates possibility of significant changes in collateral value (see more detailed explanation on recognition of collateral in paragraph 1.5(e)).

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

31 December 2009

	Group and Bank loans to customers		
	Business customers	Individual customers	Total
Past due up to 3 days	676,468	559,111	1,235,579
Past due 4- 40 days	133,763	274,298	408,061
Past due 41-90 days	130,228	70,097	200,325
Past due more than 90 days	160,939	68,767	229,706
Total	**1,101,398**	**972,273**	**2,073,671**
Value of risk mitigation measures	843,197	830,957	1,674,154

31 December 2008

	Group and Bank loans to customers		
	Business customers	Individual customers	Total
Past due up to 3 days	896,677	682,003	**1,578,680**
Past due 4- 40 days	155,915	246,822	**402,737**
Past due 41-90 days	48,576	47,659	**96,235**
Past due more than 90 days	28,854	39,529	**68,383**
Total	**1,130,022**	**1,016,013**	**2,146,035**
Value of risk mitigation measures	954,350	889,299	1,843,649

Major part of loans and advances reported as past due but not impaired are past due up to 3 days. It is explained by the fact that the repayments for customers were scheduled on the last working day of the year and payment settlement for part of customers was delayed because of non-working days.

c) Impaired loans and advances

Accrued interest income for individually impaired loans and advances to customers amount to LTL 20,333 thousand as of December 31, 2009 (2008: LTL 3,200 thousand).

There are no individually impaired loans and advances to banks and financial institutions neither at Bank nor at the Group level as of December 31, 2009 and 2008.

The gross amount of individually impaired loans and advances by customer type is reported together with the value of related collateral held as security in the tables below.

Individually impaired loans and advances are most often secured by real estate and movable assets. Value for such collateral is equal to its market value (not liquidation value), which is updated shortly after identification of impairment.

The loans and advances which are not impaired individually are grouped into pools of homogeneous loans and advances and assessed for collective impairment. Insignificant loans and advances are grouped according to days overdue whereas significant ones are grouped according to economic activity of the borrower.

	Group and Bank loans		
	Business customers	Individual customers	Total
31 December 2009			
Individually assessed impaired loans	1,271,198	508,628	1,779,826
Value of collateral	988,071	447,312	1,435,383
31 December 2008			
Individually assessed impaired loans	251,091	121,297	372,388
Value of collateral	230,242	103,881	334,123

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

d) Renegotiated loans and advances

The renegotiation of the loans is performed at the different levels of competence taking into account significance and level of risk of these loans. As the business customers show lower creditworthiness than individuals in terms of past due and impaired loans levels, this is also reflected in the distribution of renegotiated loans between these two segments.

	Group and Bank loans	
	2009	**2008**
Loans to individuals (retail):	**320,406**	**4,849**
- Consumer loans	15,205	134
- Mortgages	305,201	4,715
Loans to business customers:	**602,207**	**-**
- Large corporates	297,078	-
- SMEs	288,992	-
- Farmers	16,137	-
Total	**922,613**	**4,849**

e) Information about collaterals of loans

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding types of collateral. Market values (or purchase price, depending which is lower) are used for real estate and movable assets serving as collateral. In subsequent periods, the fair value of collateral is updated when exposure becomes individually impaired or regular monitoring of material credit risk related exposures indicates possibility of significant changes in collateral value. The value of residential real estate serving as a collateral for the immaterial loans is recalculated periodically by applying an index, the value of which depends on the asset type, geographical location and the period when the last evaluation took place.

The bank takes into account guarantees issued by the State, other parties issuing guarantees which are equivalent to the State guarantees (e.g., guarantees of Investicijų ir verslo garantijos UAB, Žemės ūkio paskolų garantijų fondas UAB), municipalities, banks and credit insurance provided by the company owned by the Ministry of Finance Būsto paskolų draudimas UAB in disclosing information on guarantees serving as collateral. Guarantees issued by other parties (private individuals, companies), although they mitigate the risk, are considered to be immaterial and are not disclosed here.

If exposure is secured by several different types of collateral, priority in recognition of collateral is based on its liquidity. Securities, cash and guarantees are treated as types of collateral with highest liquidity followed by residential real estate and then other real estate. Movable assets like transport vehicles, equipment and other assets are treated as having lowest liquidity.

The most commonly used type of collateral is the other real estate (mostly commercial) comprising 44% of the secured part of the Group’s loan portfolio (2008: 42%).
The Bank acknowledges the risk arising from this type of the collateral and in the accounting period has taken measures as to limit the concentration of real estate serving as the main type of the credit risk mitigant.

31 December 2009

	Group and Bank loans to individuals (retail)	%	**Group loans to business customers**	%	**Bank loans to business customers**	%
Unsecured loans	**604,983**	**12**	**1,401,263**	**24**	**1,401,282**	**24**
Loans collateralized by:	**4,328,268**	**88**	**4,396,622**	**76**	**4,396,622**	**76**
- residential real estate	2,378,995	48	278,322	5	278,322	5
- other real estate	667,671	14	3,151,150	55	3,151,150	55
- securities	538,408	11	175,921	3	175,921	3
- guarantees	742,711	15	195,586	3	195,586	3
- other assets	483	0	595,643	10	595,643	10
Total	**4,933,251**	**100**	**5,797,885**	**100**	**5,797,904**	**100**

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

31 December 2008

	Group and Bank loans to individuals (retail)	%	Group loans to business customers	%	Bank loans to business customers	%
Unsecured loans	**673,657**	**13**	**1,630,684**	**27**	**1,630,684**	**27**
Loans collateralized by:	**4,497,952**	**87**	**4,445,870**	**73**	**4,445,870**	**73**
- residential real estate	2,575,308	50	268,816	4	268,816	4
- other real estate	658,414	13	3,086,368	51	3,086,368	51
- securities	594,730	11	199,212	3	199,212	3
- guarantees	668,894	13	203,062	3	203,062	3
- other assets	606	0	688,412	11	688,412	11
Total	**5,171,609**	**100**	**6,076,554**	**100**	**6,076,554**	**100**

1.6. Finance lease receivables

Finance lease receivables are summarized as follows:

	2009			2008		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Neither past due nor impaired	32,839	312,755	345,594	49,304	514,090	563,394
Past due but not impaired	8,782	91,027	99,809	9,946	228,589	238,535
Impaired	4,909	183,865	188,774	432	128,322	128,754
Gross	**46,530**	**587,647**	**634,177**	**59,682**	**871,001**	**930,683**
Less: allowance for impairment	(1,069)	(131,377)	(132,446)	(122)	(28,826)	(28,948)
Net	**45,461**	**456,270**	**501,731**	**59,560**	**842,175**	**901,735**

During the year ended 31 December 2009, finance lease receivables portfolio decreased by 31.9%. Total impairment provision for finance lease receivables is LTL 132,446 thousand (2008: LTL 28,948 thousand) and it accounts for 20.88% of the respective portfolio (2008: 3.11%).

1.7. Exposures rated by ECAI

Table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2009 based on Moody's ratings or their equivalent.

Group

Rating	**Trading securities**		**Securities available for sale**		**Securities designated at fair value through profit or loss**		**Total**
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	17,227	-	-	-	17,227
From Aa3 to Aa1	-	-	238,227	-	-	-	238,227
From A3 to A1	1,154	-	132,302	-	30,257	-	163,713
From Baa1 to Ba3	22,411	34,967	712	3,404	103,311	54,798	219,603
NR	15,294	206	287	-	42,660		58,447
Total	**38,859**	**35,173**	**388,755**	**3,404**	**176,228**	**54,798**	**697,217**

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank

Rating	**Trading securities**		**Securities available for sale**		**Securities designated at fair value through profit or loss**		**Total**
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	17,227	-	-	-	17,227
From Aa3 to Aa1	-	-	238,227	-	-	-	238,227
From A3 to A1	1,154	-	132,302	-	30,257	-	163,713
From Baa1 to Ba3	22,411	34,967	147	-	103,311	54,798	215,634
NR	15,294	206	-	-	42,660		58,160
Total	**38,859**	**35,173**	**387,903**	**-**	**176,228**	**54,798**	**692,961**

1.8. Repossessed assets

The group obtained assets by taking possession of collateral held as security, as follows:

	Carrying amount			
	Group		**Bank**	
Nature of assets	**2009**	**2008**	**2009**	**2008**
Repossessed assets	442	620	442	620
Retrieved assets under cancelled lease contracts	119,129	15,091	-	-
Total	119,571	15,711	442	620

Repossessed properties are sold as soon as practicable. Repossessed property is classified in the balance sheet within other assets.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

1.9. Concentration of risks of financial assets with credit risk exposure

Industry sectors
The following table breaks down the loans and finance lease receivables at their carrying amounts, as categorized by the industry sectors of our counterparties.

Group

	Financial intermediation	Agriculture, hunting, forestry, fishing	Manufacturing	Electricity, gas, water supply	Construction	Wholesale and retail trade	Transport, storage, communica-tion	Real estate activities	Public sector	Other industries	Private individuals	Not attributed	Total
Neither past due nor impaired	1,537	345,439	815,388	96,784	175,230	691,999	208,660	678,985	276,053	431,558	3,485,189	16,627	7,223,449
Past due but not impaired	256	153,505	131,820	1,478	26,121	123,844	144,470	184,109	127,561	298,830	981,055	431	2,173,480
Impaired	28	96,110	303,610	1,061	99,823	127,323	177,718	579,618	249	68,978	513,537	545	1,968,600
Value adjustments and provisions	(43)	(21,581)	(121,718)	(324)	(46,066)	(56,165)	(90,592)	(239,504)	(116)	(64,941)	(158,254)	(454)	(799,758)
Charges for value adjustments and provisions during the reporting period	(43)	(17,214)	(84,019)	(313)	(40,227)	(47,953)	(68,360)	(209,592)	(109)	(59,657)	(129,526)	726	(656,287)
Total at 31 December 2009	1,778	573,473	1,129,100	98,999	255,108	887,001	440,256	1,203,208	403,747	734,425	4,821,527	17,149	**10,565,771**
Total at 31 December 2008	47,148	710,424	1,322,943	129,741	369,266	1,114,301	605,165	1,474,436	178,863	919,095	5,202,562	7,401	**12,081,345**

Bank

	Financial intermediation	Agriculture, hunting, forestry, fishing	Manufacturing	Electricity, gas, water supply	Construction	Wholesale and retail trade	Transport, storage, communication	Real estate activities	Public sector	Other industries	Private individuals	Not attributed	Total
Neither past-due nor impaired	247,643	306,274	754,065	95,774	145,351	638,057	129,048	669,387	271,163	399,622	3,452,350	16,627	7,125,361
Past due but not impaired	60	138,016	119,727	1,425	17,795	115,400	124,982	173,965	126,206	283,391	972,273	431	2,073,671
Impaired	-	81,861	287,953	1,061	87,075	102,888	79,146	573,246	-	57,423	508,628	545	1,779,826
Value adjustments and provisions	-	(18,712)	(109,130)	(324)	(39,211)	(44,770)	(21,858)	(237,592)	-	(38,076)	(157,185)	(454)	(667,312)
Charges for value adjustments and provisions during the reporting period	-	(15,090)	(76,546)	(324)	(33,570)	(37,849)	(17,742)	(207,719)	-	(34,996)	(128,579)	(374)	(552,789)
Total at 31 December 2009	247,703	507,439	1,052,615	97,936	211,010	811,575	311,318	1,179,006	397,369	702,360	4,776,066	17,149	**10,311,546**
Total at 31 December 2008	127,300	617,198	1,215,164	128,415	290,613	986,885	323,162	1,426,340	169,747	824,611	5,143,002	8,501	**11,260,940**

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

2. Market risk

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

Interest rate risk is assessed by calculation of the Group's positions' sensitivity to interest rate change by 1 basis point, whereas the exchange rate risk is evaluated by calculation of open foreign exchange positions. The aforementioned calculations are performed daily and submitted to the Bank's Management Board, the members of Risk management committee and Investment Banking department. The interest rate and foreign exchange risk are restricted by the limits determined by the ALCO of the international DnB NORD Group which are monitored daily by Financial risk department and reported regularly to the Bank's Management Board.

Regular reports on market risk exposures are submitted to the Bank's management board.

2.1 Market risk measurement techniques

There are several types of market risk calculated in the Group.

Interest rate risk is assessed as an impact of parallel shift of a yield curve on a present value of the gap between total liabilities and total assets. This particular risk is measured as 1 basis point value (bpv). 1 bpv discloses the amount which would impact Group's net result in case of the yield curve shift. Essential interest rate risk is in EUR and LTL currencies, therefore the following risk mitigation techniques are used. As assets in these currencies have longer maturity than liabilities, open interest rate position would create appropriate risk. Long term funding is attracted to decrease the discrepancy between long and short terms. Interest rate swaps are used to achieve and follow an acceptable level of interest rate risk.

Foreign exchange (hereinafter referred to as FX) risk is assessed as an open position between assets and liabilities in a respective currency. This open position is restricted by the limits set by the ALCO of international DnB NORD and monitored on a daily basis. FX positions are very low except of EUR/LTL position being more significant.

2.2. Foreign exchange risk

Note 36 reveals that the Group has exposure to EUR, exposures to other currencies are not significant. The Group follows a very conservative approach to foreign exchange risk and limits EUR position with the limit set by the ALCO of international DnB NORD Group.

Sensitivity of foreign exchange risk

Foreign exchange risk is limited by amounts of open FX positions. For calculation of sensitivity to FX risk all exposures shall be converted into possible loss – i.e. open FX position is multiplied by possible FX rate change. FX risk parameters for the Group and the Bank, which are prescribed by ALCO of international DnB NORD Group, are provided in the table below:

Currency	Reasonable shift
LVL	1.5 %
PLN	2.5 %
DKK	2.5 %
USD	2.5 %
EEK	2.5 %
Other currencies	5.0 %

The presumable FX rate change creates acceptable impact on Bank's and Group's annual profit as well as equity and makes LTL 151 thousand in 2009 (2008: LTL 266 thousand) impact on profit.

The Bank's exposure to foreign currency exchange rate risk is summarised in Note 36.

2.3. Interest rate risk

The Group has exposure to interest rate risk in LTL and EUR, interest rate risk in other currencies is not significant. Interest rate risk in LTL is mostly asset oriented, on the other side, interest rate risk in EUR is liability oriented. Interest rate risk from single currency (like LTL, EUR, USD) position is calculated and monitored on a daily basis, using the basis point value (bpv) analysis. As the Group follows a very conservative approach in interest rate risk, separate currency position risk is restricted by the limits to 1 bpv set by the ALCO of international DnB NORD Group.

1 bpv is calculated on a basis of interest rate gap report, which is the analysis of difference between assets and liabilities distributed by appropriate time buckets according to each currency.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

The bpv reflect the impact of the parallel shift of the yield curve to the net profit before taxes.

The Bank's and Group's exposure to interest rate risk as of 31 December 2009 (basis point value):

Risk	Bank	DnB NORD lizingas	DnB NORD investiciju valdymas	Elimination effect	Consolidated
LTL	56.6	(4.7)	0.3	(0.1)	52.1
EUR	14.9	5.6	-	-	20.5
USD	2.2	-	-	-	2.2

The Bank's and Group's exposure to interest rate risk as of 31 December 2008 (basis point value):

Risk	Bank	DnB NORD lizingas	DnB NORD investiciju valdymas	Elimination effect	Consolidated
LTL	77.8	-	-	(0.5)	77.3
EUR	32.2	0.3	-	-	32.5
USD	3.9	0.6	-	(1.2)	3.3

The Bank's interest rate gap analysis is summarized in Note 37.

Sensitivity of interest rate risk

Interest rate risk exposure cannot exceed limits, therefore limit is the highest possible 1 bpv. Assuming a reasonable parallel shift of yield curve (interest rate risk parameters presented in table below), sensitivity of interest rate risk shall be calculated multiplying bpv limit usage by interest rate change. Reasonable interest rate shift by currencies (in basis points) are provided in the table below:

Reasonable annual shift in bp	**LTL**	**EUR**	**USD**
2009	100	50	50
2008	100	50	50

The shift of yield curve according to the above mentioned parameters creates acceptable impact on Group's and Bank's equity and P&L (see table bellow):

Impact on P&L and Equity:

Year	Equity		P&L
	Group	Bank	
2009	6,324	6,513	10,776
2008	9,526	9,588	5,222

2.4 Equity risk

The Group has not significant exposure to equity risk. The equity exposure consists of investment fund's units held by DnB NORD Investment Management. This small portion of investment fund units is held solely for company's client deals and Group is not seeking the profit from this position, therefore the risk is not assessed.

3. Liquidity risk

Liquidity risk means the risk that the Bank is unable to meet its financial obligations in time or the risk to incur losses due to the sudden decrease in financial resources (eg. the financial crisis situations may result in the run on the bank and delay of incoming payments) as well as due to increase in price of the new resources designed for refinancing. The consequence of liquidity risk occurrence may be the failure to meet obligations to repay depositors and fulfil loan commitments. Liquidity risk is controlled on an overall DnB NORD Group level and restricted by liquidity ratio, set by the Bank of Lithuania and the limits set by the ALCO of international DnB NORD Group.

Management of the Bank is constantly monitoring the liquidity situation on the financial markets. Since the liquidity in financial markets became difficult the bank encountered moderate rise in funding costs and Bank's liquidity status was adjusted to withstand possible outflow of funds or other balance structure fluctuations. The Bank is ready for liquidity situation to become worse as business and liquidity contingency plans are in place and up to date.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

3.1 Liquidity risk management process

Liquidity risk management is divided into the long-term (1 year) risk management and short-term (up to 1 month) risk management. The aim of short-term liquidity is to meet the daily need for funds, to ensure the compliance with the reserve and liquidity requirements set by the Bank of Lithuania as well as the compliance with the internal liquidity limits. Short-term liquidity is maintained through daily monitoring of the liquidity status, day-to day funding and trading the appropriate financial instruments for liquidity purposes. Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the deposit and loan portfolio growth as well as the possible refinancing sources.

For the purpose of the liquidity risk assessment the liquidity gap, taking into account the maturity and the funding ratio, are analysed. The liquidity risk is restricted by imposing the internal limits on liquidity gap and funding ratio. These limits are subject to daily monitoring and regular reporting to the management bodies of the Group.

Liquidity gap is calculated by looking at the Group’s net refinancing situation within one week and one month applying a "business as usual" approach. Liquid assets and short term liabilities are included for liquidity gap calculation for respective terms (1 week and 1 month).

	31 December 2009		**31 December 2008**	
	1 week	1 month	1 week	1 month
Liquidity gap (Group)	287.5	(244.8)	227.8	(652.2)
Limit	(776.9)	(776.9)	(776.9)	(776.9)

Funding ratio shows how stable is the Group’s situation in terms of funding. The limit of funding ratio is 0.85, which means that not less than 85% of all loans to customers should be funded with the long term liabilities and equity. The ratio shows the proportion by which loans to customers are covered by the long term funding.

	31 December 2009	**31 December 2008**
Funding ratio (Group)	0.93	0.91

Note 35 analyzes assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date as well as the liquidity ratio requirement set by the Bank of Lithuania.

3.2. Funding approach

After joining the international DnB NORD Group, the bank has a possibility of attracting funding at minimum cost. The parent Banks DnB NOR (counterparty credit rating being Aa3/Stable/P-1 (Moody’sInvestors Service) provided 8 September, 2009) and NORD/LB (counterparty credit rating being A-/Negative/A-2 (Standard & Poor’s) provided 6 May, 2009) are the lenders of last resort and provide the financing for the Bank in the cases of faltered liquidity.

3.3. Non – derivative cash flows

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

Group **31 December 2009** **Liabilities**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks	1,013,551	937,956	2,582,424	2,222,496	175,676	6,932,103
Due to customers	2,228,521	461,076	666,601	46,937	5,601	3,408,736
Debt securities in issue	-	3,099	588,089	241,127	-	832,315
Subordinated loans	-	-	-	93,618	353,697	447,315
Other financial liabilities	43,876	-	-	-	-	43,876
Total liabilities (contractual maturity dates)	3,285,948	1,402,131	3,837,114	2,604,178	534,974	11,664,345

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank

31 December 2009 Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks	1,013,551	935,451	2,073,832	2,222,496	175,676	6,421,006
Due to customers	2,228,521	461,076	666,601	46,937	5,601	3,408,736
Debt securities in issue	-	3,099	588,089	241,127	-	832,315
Subordinated loans	-	-	-	93,618	353,697	447,315
Other financial liabilities	164,978	-	-	-	-	164,978
Total liabilities (contractual maturity dates)	3,407,050	1,399,626	3,328,522	2,604,178	534,974	11,274,350

Group

31 December 2008 Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks	954,368	573,593	1,745,105	4,442,369	148,280	7,863,715
Due to customers	2,676,601	451,049	691,098	32,744	5,425	3,856,917
Debt securities in issue	93,643	131,427	285,888	703,483	-	1,214,441
Subordinated loans	-	-	-	65,617	480,722	546,339
Other financial liabilities	50,384	-	-	-	-	50,384
Total liabilities (contractual maturity dates)	3,774,996	1,156,069	2,722,091	5,244,213	634,427	13,531,796

Bank

31 December 2008 Liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Due to banks	954,368	468,735	1,454,408	3,900,492	148,280	6,926,283
Due to customers	2,676,601	451,049	691,098	32,744	5,425	3,856,917
Debt securities in issue	93,643	131,427	285,888	703,483	-	1,214,441
Subordinated loans	-	-	-	65,617	480,722	546,339
Other financial liabilities	47,529	-	-	-	-	47,529
Total liabilities (contractual maturity dates)	3,772,141	1,051,211	2,431,394	4,702,336	634,427	12,591,509

3.4. Derivative cash flows

Tables below analyse cash flows from derivative instruments. Commonly the Group has exposure to foreign exchange derivatives like forwards and swaps, interest rate derivatives like swaps and options on interest rates, and equity derivatives like options on equity indexes.

a) Derivatives settled on a net basis

31 December 2009	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Derivatives held for trading						
- Foreign exchange derivatives	543	-	-	-	-	543
- Interest rate derivatives	63,057	7,083	28,858	56,308	4,748	160,054
- Commodity derivatives	389	-	-	-	-	389
- Credit derivatives	764	-	-	-	-	764
Total	64,753	7,083	28,858	56,308	4,748	161,750

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

31 December 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivatives held for trading						
- Interest rate derivatives	41,642	4,373	55,519	77,119	7,248	185,901
- Equity derivatives	20	-	-	-	-	20
Total	41,662	4,373	55,519	77,119	7,248	185,921

b) *Derivatives settled on a gross basis*

31 December 2009					
Derivatives held for trading	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Foreign exchange derivatives					
Outflow	1,384,746	526,813	1,120,452	-	3,032,011
Inflow	1,390,446	532,606	1,139,136	-	3,062,188
Total outflow	1,384,746	526,813	1,120,452	-	3,032,011
Total inflow	1,390,446	532,606	1,139,136	-	3,062,188

Bank

31 December 2008					
Derivatives held for trading	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Foreign exchange derivatives					
Outflow	1,951,830	265,199	256,831	5,038	2,478,898
Inflow	1,957,605	265,717	259,233	4,901	2,487,456
Total outflow	1,951,830	265,199	256,831	5,038	2,478,898
Total inflow	1,957,605	265,717	259,233	4,901	2,487,456

3.5. Off - balance sheet items

Analyses of off-balance sheet items by remaining maturity is as follows:

Group

	Up to one year	From 1 to 5 years	Over 5 years	Total
At 31 December 2009				
Guarantees	135,028	50,813	2,312	188,153
Letters of credit	5,714	-	-	5,714
Loan commitments	552,028	142,158	29	694,215
Finance lease commitments	4,647	-	-	4,647
Operating lease commitments	1,021	2,886	-	3,907
Other commitments	3,879	2,993	3,163	10,035
Total	702,317	198,850	5,504	906,671
At 31 December 2008				
Guarantees	126,063	101,703	2,097	229,863
Letters of credit	19,330	3,737	-	23,067
Loan commitments	955,476	306,796	-	1,262,272
Finance lease commitments	38,613	-	-	38,613
Operating lease commitments	1,020	3,906	-	4,926
Other commitments	6,143	3,115	-	9,258
Total	1,146,645	419,257	2,097	1,567,999

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank

	Up to one year	From 1 to 5 years	Over 5 years	Total
At 31 December 2009				
Guarantees	168,092	529,763	2,312	700,167
Letters of credit	5,714	-	-	5,714
Loan commitments	582,872	552,274	29	1,135,175
Operating lease commitments	1,240	3,167	-	4,407
Other commitments	1,810	2,993	3,163	7,966
Total	759,728	1,088,197	5,504	1,853,429
At 31 December 2008				
Guarantees	180,398	652,500	2,097	834,995
Letters of credit	19,330	3,737	-	23,067
Loan commitments	955,480	908,651	-	1,864,131
Operating lease commitments	1,235	4,394	-	5,629
Other commitments	419	3,115	-	3,534
Total	1,156,862	1,572,397	2,097	2,731,356

4. Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of financial assets and liabilities not presented on the Bank balance sheet at their fair value. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at the current market interest rates (VILIBOR or LIBOR) plus or minus current margin for similar products to determine the fair value.

As at 31 December 2009	**Group**		**Bank**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets				
Loans and advances to customers of which:	10,064,040	9,812,338	10,311,546	9,937,859
-Loans to individuals	4,776,066	4,656,616	4,776,066	4,602,983
-Loans to business customers	5,287,758	5,155,511	5,287,777	5,096,150
-Loans and advances to financial institutions	216	211	247,703	238,726
Finance lease receivables of which:	501,731	489,183	-	-
-Individuals	45,461	44,324	-	-
-Business customers	456,270	444,859	-	-
Liabilities				
Due to banks	6,763,317	6,626,483	6,261,710	6,130,887
Due to customers	3,405,248	3,375,038	3,412,827	3,375,038
Debt securities in issue	814,045	794,820	814,045	794,820
Subordinated loans	403,540	370,331	403,540	370,331

As at 31 December 2008	**Group**		**Bank**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Assets				
Loans and advances to customers of which**:**	11,179,610	9,389,261	11,260,940	9,366,914
-Loans to individuals	5,146,398	4,322,233	5,146,398	4,280,803
-Loans to business customers	5,987,242	5,028,420	5,987,242	4,980,222
-Loans and advances to financial institutions	45,970	38,608	127,300	105,889
Finance lease receivables of which:	901,735	760,130	-	-
-Individuals	59,560	50,022	-	-
-Business customers	842,175	710,108	-	-
Liabilities				
Due to banks	7,498,090	7,489,939	6,606,993	6,589,627
Due to customers	3,821,532	3,819,980	3,858,697	3,819,980
Debt securities in issue	1,179,048	1,092,976	1,179,048	1,092,976
Subordinated loans	405,387	368,744	405,387	368,744

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Fair value of loans and advances to banks is close to carrying value because of comparatively short maturity of theses assets.

Next two tables below summarize the Financial assets and liabilities of the Bank. Financial instruments are distributed by 3 levels of fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value of all Bank contracted derivatives is defined as level 2. These are mainly interest rate swaps and FX derivatives which are revaluated using discounted cashflow or present value calculation method and revaluation of options is based on Black and Scholes model. In all cases pricing is based on market observable inputs.
Debt securities are prices in accordance to market quotes and, in cases when there is no active market for particular security model for defining the price for this kind of security is applied, at the end of 2009 only 2 debt security issues (notional EUR 15 million) were priced using the model, all other debt securities were priced at market quotes.

There were no movements of financial instruments between level 1 and level 2.

Based on management's assessment, the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions is not material at the Bank and Group level in 2009 and 2008.

Bank

As at 31 December 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
FX forwards, swaps, put, call options	-	38,796	-	38,796
Interest rate swaps, collars	-	17,685	-	17,685
Equity linked options	-	7,004	-	7,004
Commodity linked options	-	293	-	293
Credit related agreements	-	265	-	265
	-	**64,043**	**-**	**64,043**
Other financial assets held-for-trading				
Government debt securities	47,451	-	-	47,451
Debt securities issued by banks	26,581	-	-	26,581
	74,032	**-**	**-**	**74,032**
Financial assets designated at fair value through profit or loss				
Government debt securities	188,366	-	-	188,366
Other debt securities	42,660	-	-	42,660
	231,026	**-**	**-**	**231,026**
Financial investments available-for-sale				
Other debt securities	336,232	-	51,671	387,903
Equity securities	830	-	-	830
	337,062	**-**	**51,671**	**388,733**
	642,120	**64,043**	**51,671**	**757,834**
Financial liabilities				
FX forwards, swaps, put, call options	-	12,399	-	12,399
Interest rate swaps, collars	-	59,461	-	59,461
Commodity linked options	**-**	-	**-**	-
Credit related agreements	**-**	764	-	764
	-	**72,624**	-	**72,624**

Figures for the Group will not differ materially, mainly debt securities in available for sale portfolio (in amount of LTL 5,853 thousand) would increase the positions of level 1 and level 3 (Note 16).

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Bank

As at 31 December 2008	Level 1	Level 2	Level 3	Total
Financial assets				
FX forwards, swaps, put, call options	-	13,412	-	13,412
Interest rate swaps, collars	-	19,228	-	19,228
Equity linked options	-	7,254	-	7,254
Commodity linked options	-	802	-	802
Credit related agreements	-	-	-	-
	-	**40,696**	-	**40,696**
Other financial assets held-for-trading				
Government debt securities	55,197	-	560	55,757
Debt securities issued by banks	3,039	-	-	3,039
Quoted equities	11	-	-	11
	58,247	**-**	**560**	**58,807**
Financial assets designated at fair value through profit or loss				
Government debt securities	133,896	-	162,048	295,944
	133,896	**-**	**162,048**	**295,944**
Financial investments available-for-sale				
Other debt securities	402,106	-	203,320	605,426
Equity securities	844	-	-	844
	402,950	**-**	**203,320**	**606,270**
	595,093	**40,696**	**365,928**	**1,001,717**
Financial liabilities				
FX forwards, swaps, put, call options	-	8,620	-	8,620
Interest rate swaps, collars	-	41,581	-	41,581
Equity linked options	-	20	-	20
Commodity linked options	-	-	-	-
Credit related agreements	**-**	**-**	**-**	-
	-	**50,221**	**-**	**50,221**

Figures for the Group will not differ materially, mainly debt securities in available for sale portfolio (in amount of LTL 2,764 thousand) would increase the positions of level 1 and level 3 (Note 16).

5. Operational Risk

The Bank defines the operational risk as a risk to suffer direct or indirect losses due to improper or inefficient internal procedures or processes, technologies, employee actions, or external factors.

The operational risk management in the Group is regulated by the Operational risk management policy setting minimum requirements for operational risk management and control, defining the methods for operational risk management, controlling process, and responsibility levels.

The operational risk management is decentralised in the Group, i.e. the branch managers are responsible for the operational risk management in their branches.

The Group manages the operational risk by accepting it (in this case specific provisions are made for the operational risk upon evaluation of the anticipated losses due to the operational risk events), minimising it, i.e. insurance, implementation of internal control measures, outsourcing and avoiding. The operational risk losses are quarterly reported to the Group’s management bodies.

The Bank dedicates much attention on ensuring business continuity; the disaster recovery and business continuity plans as well as the procedures of restoring of IT services are prepared and tested on a regular basis. Moreover, in order to ensure an uninterrupted functioning of the IT systems and data security, all critical IT components are duplicated.

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

In 2009 the Group continued to develop the operational risk management and control systems. Improving operational risk control process, Key Risk Indicator method was implemented and started to use. In October and November 2009 the Bank performed a comprehensive self-assessment at the Bank level (encompassing all of the main Bank's activities).

6. Stress tests

Besides the regular assessment of the risks and the capital requirement calculation the Group also performs stress tests for the credit, liquidity, market (interest rate and currency), business, model and operational risks. The purpose of the stress-testing is to evaluate whether the Group's capital is sufficient to cover those extraordinary losses that might occur in the case when the testing scenario is realised as well as to prepare the contingency plan for the Group. In order to evaluate the losses caused by the aforesaid risks realisation the standard, probable and worst case scenarios are used.

The results of the stress tests are submitted to the Group's management bodies on quarterly basis.

7. Capital management

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

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

Capital adequacy report is submitted to the supervising authority quarterly in accordance with the Bank of Lithuania requirements.

The Group's regulatory capital is divided into two tiers:
1) Tier 1 capital consists of the ordinary shares, share premium, mandatory reserve, retained earnings of the previous financial year, prescribed percentage of the audited profit of current financial year, negative revaluation reserve of financial assets and less the intangible assets and part of investments to financial institutions,
2) Tier 2 capital consists of subordinated loans, other reserves and less part of investments to financial institutions.

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group for the years ended 31 December. AB DnB NORD bankas will maintain at least 10 percent capital adequacy ratio with regard to Resolution No.190 (dated 30 September, 2009) of the Board of the Bank of Lithuania. During 2008 and 2009, the Group complied with capital requirements to which it is subject.

	Group		**Bank**	
	2009	**2008**	**2009**	**2008**
Tier 1 capital	794,764	926,968	797,076	924,280
Tier 2 capital	374,651	392,609	371,861	389,819
Total capital	1,169,415	1,319,577	1,168,937	1,314,099
Capital ratio, %	**11.65**	**11.73**	**11.41**	**11.61**

(all amounts are in LTL thousand, if not otherwise stated)

FINANCIAL RISK MANAGEMENT (continued)

Capital requirements

The standardized approach is used for the regulatory capital requirements calculation for the credit, market and operational risks both at the Bank and the Group level. For credit risk capital requirement calculation the Bank uses the rating agencies' Fitch Ratings or Moody's ratings for counterparty risk assessment.

Breakdown of the exposures and eligible collaterals by exposure classes, which are used for calculation of capital requirement for credit risk:

	Group			Bank		
	Exposure net of value adjustments and provisions	Total exposure value covered by eligible collaterals	Total exposure value covered by guarantees	Exposure net of value adjustments and provisions	Total exposure value covered by eligible collaterals	Total exposure value covered by guarantees
Central governments or central banks	145,931			141,675		
Regional governments or local authorities	463,113			463,113		
Administrative bodies and non-commercial undertakings	120,577	74	15,134	115,384	74	15,134
Institutions	757,665	139		757,665	139	
Corporates	5,270,160	400,332	67,361	6,155,547	400,333	66,241
Retail	2,284,049	77,024	65,165	2,143,441	77,038	66,306
Secured on real estate property	2,346,384	2,346,384		2,346,691	2,346,691	
Past due items	1,038,911		22,378	911,787		22,378
Other items	517,861			386,385		
Total	**12,944,651**	**2,823,953**	**170,038**	**13,421,688**	**2,824,275**	**170,059**

The exposure values covered by eligible collateral are shown after application of the volatility adjustments. The Bank and the group did not have any exposures covered by credit derivatives neither in 2009 nor in 2008.

After implementation of the ICAAP the Group started to calculate the internal capital for the risks not covered or not fully covered by the Pillar I capital.

The concentration risk is assessed for asset classes exposed to credit risk and is measured by the means of Hirschman–Herfindahl index. Besides the imposed limits on lending the Group calculates the internal capital requirement for concentration risk according to the estimated risk level.

The residual risk is the risk that the Bank's and the Group's credit risk mitigation techniques will appear to be less effective than expected. Therefore the Bank assumes the increase of the risky assets due to occurrence of the residual risk which leads to the higher capital requirement.

As the regulatory capital requirement is calculated for the interest rate risk arising from the trading book, the Group additionally assesses and calculates the internal capital requirement for the interest rate risk arising from the banking book. The approach and the parameters used for this calculation are the same as the ones for evaluating the stress testing worst case scenario losses.

The parameters used for business risk evaluation are the volatility of GDP, the movements of the market credits and deposits as well as the Bank's market share movements. Margin risk is the possible costs due to interest rate margin fixing for assets and liabilities in different points of time. Interest rate margin for assets is fixed for a longer time period than interest rate margin for liabilities, therefore liabilities margin is re-fixed more often. This is the reason why the Bank might be in the situation when margin for assets and margin for liabilities are fixed in different levels, which could lead to additional costs.

The Bank is bearing Model risk from 4Q 2008, when active market for debt securities became unavailable and quotes – not reflecting fair value of securities. This risk is not perpetual, therefore at the moment when the financial markets will recover, the model for valuating debt securities will be no longer used and risk will be not borne.

The Bank calculates the internal capital requirement as Pillar I capital according to regulatory requirements adjusted by the amounts evaluated for the risks identified during ICAAP.

(all amounts are in LTL thousand, if not otherwise stated)

SEGMENT INFORMATION

The Group is organised into these main business segments based on products, services and legal organisation: banking, leasing, investment management, real estate brokerage and real estate management, development and sale. Transactions between the business segments are on normal commercial terms and conditions, transfer prices between operating segments are on arm's length basis. Funds are ordinary reallocated between segments, resulting in funding cost transfers disclosed in operating income. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2009 or 2008.

Year ended 31 December 2009

	Banking	Leasing	Investment management	Real estate brokerage	Real estate management, development and sale	Eliminations	Group
Third party	607,608	40,405	276	-	-	-	648,289
Inter-segment	7,624	496	8	-	-	(8,128)	-
Total interest income	615,232	40,901	284	-	-	(8,128)	648,289
Third party	(350,150)	(21,811)	(3)	-	-	-	(371,964)
Inter-segment	(469)	(7,616)	-	(5)	(3)	8,093	-
Total interest expense	(350,619)	(29,427)	(3)	(5)	(3)	8,093	(371,964)
Third party	257,458	18,594	273	-	-	-	276,325
Inter-segment	7,155	(7,120)	8	(5)	(3)	(35)	-
Net interest income	264,613	11,474	281	(5)	(3)	(35)	276,325
Third party	149,932	3,404	3,274	428	-	(1,199)	155,839
Inter-segment	6,598	(5,769)	(470)	27	-	(386)	-
Net income from the other main operations	156,530	(2,365)	2,804	455	-	(1,585)	155,839
Third party	(150,605)	(11,851)	(903)	(1,023)	(26)	-	(164,408)
Inter-segment	(120)	(129)	(112)	(59)	(1)	421	-
Total administrative and other operating expenses/ income	(150,725)	(11,980)	(1,015)	(1,082)	(27)	421	(164,408)
Depreciation and amortisation	(17,080)	(3,399)	(37)	(104)	-	-	(20,620)
Impairment losses and provisions	(684,746)	(16,245)	-	-	-	19,310	(681,681)
Profit (loss) before tax	(431,408)	(22,515)	2,033	(736)	(30)	18,111	(434,545)
Income tax	(1,387)	(101)	(380)	-	-	-	(1,868)
Change of deferred tax	30,166	(515)	(111)	-	-	-	29,540
Net profit (loss)	**(402,629)**	**(23,131)**	**1,542**	**(736)**	**(30)**	**18,111**	**(406,873)**
Capital expenditure	7,362	17	73	3	-	-	7,455
Shareholders' equity	810,590	(20,731)	5,730	1,482	734	7,996	805,801
Total assets	**11,940,314**	**733,080**	**6,247**	**1,785**	**757**	**(373,425)**	**12,308,758**
Total liabilities	**11,129,724**	**753,811**	**517**	**303**	**23**	**(381,421)**	**11,502,957**

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(all amounts are in LTL thousand, if not otherwise stated)

SEGMENT INFORMATION (Continued)

Year ended 31 December 2008

	Banking	Leasing	Investment management	Real estate brokerage	Eliminations	Group
Third party	754,889	62,266	102	-	-	817,257
Inter-segment	4,395	220	21	-	(4,636)	-
Total interest income	759,284	62,486	123	-	(4,636)	817,257
Third party	(465,033)	(43,664)	(13)	-	-	(508,710)
Inter-segment	(216)	(4,391)	-	(4)	4,611	-
Total interest expense	(465,249)	(48,055)	(13)	(4)	4,611	(508,710)
Third party	289,856	18,602	89	-	-	308,547
Inter-segment	4,179	(4,171)	21	(4)	(25)	-
Net interest income	294,035	14,431	110	(4)	(25)	308,547
Third party	65,118	6,402	4,042	520	(531)	75,551
Inter-segment	6,318	(5,196)	(527)	127	(722)	-
Net income from the other main operations	71,436	1,206	3,515	647	(1,253)	75,551
Third party	(172,151)	(7,487)	(1,033)	(1,750)	201	(182,220)
Inter-segment	(115)	(457)	(118)	(57)	747	-
Total administrative and other operating expenses/ income	(172,266)	(7,944)	(1,151)	(1,807)	948	(182,220)
Depreciation and amortisation charges	(14,227)	(4,743)	(46)	(106)	-	(19,122)
Impairment losses and provisions	(95,152)	(22,975)	-	(138)	18,371	(99,894)
Profit (loss) before tax	83,826	(20,025)	2,428	(1,408)	18,041	82,862
Income tax	(13,546)	(150)	(285)	-	-	(13,981)
Change of deferred tax	457	62	7	-	-	526
Net profit (loss)	**70,737**	**(20,113)**	**2,150**	**(1,408)**	**18,041**	**69,407**
Capital expenditure	25,894	3,387	13	67	-	29,361
Shareholders’ equity	944,289	2,400	4,997	568	(8,900)	943,354
Total assets	**13,101,513**	**992,454**	**5,605**	**836**	**(142,758)**	**13,957,650**
Total liabilities	**12,157,224**	**990,054**	**608**	**268**	**(133,858)**	**13,014,296**

The Group operates in one geographical segment – Lithuania.

The main capital expenditures used by the Group to acquire assets that are expected to be used during more than one period (property, plant, equipment and intangible assets) belong to geographical segment “Lithuania”.

(all amounts are in LTL thousand, if not otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Interest income:				
on due from banks	4,911	25,228	4,904	25,189
on loans and advances to customers	570,433	685,800	578,049	690,195
on finance lease receivables	40,405	62,266	-	-
on trading securities	5,285	1,806	5,285	1,806
on available for sale securities	11,705	34,103	11,444	34,040
Total	632,739	809,203	599,682	751,230
on securities at fair value through profit or loss	15,550	8,054	15,550	8,054
Total interest income	648,289	817,257	615,232	759,284
Interest expense				
on due to banks	183,215	313,418	161,404	269,949
on deposits and other repayable funds from customers	103,931	95,509	104,400	95,530
on debt securities issued	53,596	61,715	53,596	61,715
on subordinated loans	15,046	19,584	15,046	19,584
on fees for compulsory insurance of deposits	16,176	18,484	16,173	18,471
Total interest expense	371,964	508,710	350,619	465,249
Net interest income	276,325	308,547	264,613	294,035

NOTE 2 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Fee and commission income:				
on assets under management	1,486	2,455	1,486	2,455
money transfer operations	29,067	30,664	29,114	30,745
payment cards services	17,112	18,494	17,112	18,494
securities operations	2,006	2,619	2,225	2,665
currency (EUR) exchange	7,516	9,172	7,516	9,172
trust and other fiduciary activities	3,471	4,466	161	575
guarantee commissions	2,385	2,660	7,970	7,736
commissions for intermediation	1,847	3,617	2,336	4,027
commissions for operating lease	3,724	5,660	-	-
other	6,173	6,167	5,997	6,106
Total fee and commission income	74,787	85,974	73,917	81,975
Fee and commission expense:				
money transfer operations	1,618	1,824	1,618	1,849
payment cards services	13,030	13,456	13,030	13,456
securities operations	420	311	348	312
currency (EUR) exchange	394	365	394	365
trust and other fiduciary activities	544	697	544	681
other	416	801	212	612
Total fee and commission expense	16,422	17,454	16,146	17,275
Net fee and commission income	58,365	68,520	57,771	64,700

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 3 NET GAIN (LOSS) ON OPERATIONS WITH SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Bank	
	2009	2008	2009	2008
Trading securities				
Debt securities:				
Realized gain (loss)	11,776	(2,830)	11,776	(2,830)
Unrealized gain (loss)	3,508	(1,900)	3,508	(1,900)
Equity securities:				
Realized gain (loss)	(11)	(228)	(11)	(228)
Unrealized gain (loss)	-	(1)	-	(1)
Net gain (loss) from trading securities	15,273	(4,959)	15,273	(4,959)
Derivative financial instruments				
Realized gain (loss)	55,944	8,145	55,944	8,145
Unrealized gain (loss)	9,067	(13,001)	9,067	(13,001)
Net gain (loss) from derivative financial instruments	65,011	(4,856)	65,011	(4,856)
Securities, available for sale (Note 31):				
Realized gain (loss) on debt securities	(635)	(1,037)	(671)	(1,056)
Net gain (loss) from available for sale securities	(635)	(1,037)	(671)	(1,056)
Securities designated at fair value through profit or loss				
Realized gain (loss)	(4,314)	(30)	(4,314)	(30)
Unrealized gain (loss)	4,907	(3,373)	4,907	(3,373)
Net gain (loss) on securities designated at fair value through profit or loss	593	(3,403)	593	(3,403)
Realized gain (loss) from operations with debt securities issued	8,983	11,293	8,983	11,293
Net gain (loss) from trading with equity securities	(8)	34	(8)	34
Received dividends	10	6	1,209	493
Total	89,227	(2,922)	90,390	(2,454)

NOTE 4 IMPAIRMENT LOSSES AND PROVISIONS

	Group		Bank	
	2009	2008	2009	2008
Impairment losses on loans:				
Increase (decrease) of impairment losses, net	572,681	68,293	572,681	68,293
Recovered previously written off loans	(2,803)	(3,276)	(2,803)	(3,276)
Total impairment losses on loans	569,878	65,017	569,878	65,017
Impairment losses on finance lease receivables (Note 18)	103,499	26,316	-	-
Impairment losses for other assets	8,035	8,380	24	87
Impairment losses for investment in subsidiary	-	-	19,310	18,371
Expenses for provisions on guarantees	269	181	95,534	11,677
Total	681,681	99,894	684,746	95,152

As at 31 December 2009 based on estimated expected future cash flows, business growth and risk costs of subsidiary the Bank recognized LTL 19,310 thousand impairment loss for investment into subsidiary UAB DnB NORD lizingas (in 2008 LTL 18,371 thousand).

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 5 OTHER INCOME

	Group		Bank	
	2009	**2008**	**2009**	**2008**
On sale of property and other security	2,095	2,309	465	1,717
On rent of property	934	947	990	1,136
On services related to IT development	6,385	-	6,385	-
Other	2,749	4,011	2,411	3,789
Total	12,163	7,267	10,251	6,642

NOTE 6 PERSONNEL EXPENSES

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Salaries	55,087	64,069	53,293	59,848
Social insurance	18,967	22,624	18,437	21,317
Training and business trip expenses	2,440	2,636	2,421	2,489
Other	6,936	8,594	6,936	8,594
Total	83,430	97,923	81,087	92,248

NOTE 7 DEPRECIATION AND AMORTISATION

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Amortisation of intangible assets	2,241	2,117	1,909	1,800
Depreciation of property, plant and equipment assets	18,379	17,005	15,171	12,427
Total	20,620	19,122	17,080	14,227

NOTE 8 OTHER ADMINISTRATIVE EXPENSES

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Rent of premises and maintenance expenses	15,626	15,655	15,580	14,869
Transportation, post and communications expenses	10,004	9,981	9,610	9,278
Advertising and marketing expenses	3,475	7,470	3,338	7,177
Office equipment and maintenance expenses	12,345	12,396	12,206	12,237
Cash collection, consultancy and other services expenses	18,472	21,364	18,357	21,184
Taxes other than income tax	14,130	12,560	13,502	12,357
Foreclosed assets expenses	10,395	794	394	-
Other expenses	8,694	11,344	6,902	9,558
Total	93,141	91,564	79,889	86,660

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 9 INCOME TAX

	Group		Bank	
	2009	2008	2009	2008
Current tax for the year	(1,868)	(13,981)	(1,386)	(13,546)
Change of deferred tax asset (see below)	29,540	526	30,165	457
Total	27,672	(13,455)	28,779	(13,089)

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

	Group		Bank	
	2009	2008	2009	2008
Profit (loss) before income tax	(434,545)	82,862	(431,408)	83,826
Tax calculated at a tax rate of 20% for 2009 (2008: 15%)	86,909	(12,429)	86,282	(12,574)
Income not subject to tax	4,606	1,726	3,765	1,437
Expenses not deductible for tax purposes	(8,697)	(4,821)	(5,406)	(3,915)
Income on securities subject to tax	(3,935)	-	(3,929)	-
Effect of changes in tax rate	(12,812)	-	(15,473)	-
Change in unrecognised deferred tax asset	(37,013)	106	(35,074)	-
Adjustment of previous year income tax	(1,386)	1,963	(1,386)	1,963
Income tax charge/(credit)	27,672	(13,455)	28,779	(13,089)

Movement in deferred tax asset

At the beginning of the year	2,872	780	2,235	212
Charge (credit) to equity (Note 29)	(1,955)	1,566	(1,955)	1,566
Income statement credit (charge)	29,540	526	30,165	457
At the end of the year	30,457	2,872	30,445	2,235

In 2009 LTL 641 thousand of deferred tax (out of 30,457 thousand) is related to revaluation of available for sale securities (in 2008 LTL 2,596 thousand).

15% tax rate was used to calculate deferred income taxes in 2009 (20% in 2008).

The movement in deferred tax assets and liabilities of the Group during the period is as follows:

Group – deferred tax liabilities

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2008	1,361	1	1,362
Charged/ (credited) in income statement	1,175	11	1,186
As at 1 January 2009	2,536	12	2,548
Charged/ (credited) in income statement	(344)	612	268
As at 31 December 2009	2,192	624	2,816

NOTE 9 INCOME TAX (continued)

Group – deferred income tax asset

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2008	241	1,062	106	733	2,142
Charged/ (credited) in income statement	379	1,161	(106)	278	1,712
Charged/ (credited) to equity	-	1,566	-	-	1,566
As at 1 January 2009	620	3,789	-	1,011	5,420
Charged/ (credited) in income statement	147	(972)	68,367	(721)	66,821
Allowance for deffered tax assets	-	-	(37,013)	-	(37,013)
Charged/ (credited) to equity	-	(1,955)	-	-	(1,955)
As at 31 December 2009	767	862	31,354	290	33,273

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The deferred tax assets recognised at 31 December 2009 in respect of tax losses have been based on profitability assumptions over five year horizon. The expected future taxable profits are based on business plan assumptions taking into consideration uncertainties arising from the current adverse economic environment. If the business plan earnings and assumptions in following quarters substantially deviate from the current assumptions, the amount of existing deferred tax assets may need to be adjusted.

As at 31 December 2009 the Group has LTL 455,780 thousand of unused tax losses which has no expiry date.

The movement in deferred income tax assets and liabilities of the Bank (prior to offsetting of balances) during the period is as follows:

Bank – deferred income tax liability

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2008	1,361	1	1,362
Charged/ (credited) in income statement	1,175	11	1,186
As at 1 January 2009	2,536	12	2,548
Charged/ (credited) in income statement	(344)	612	268
As at 31 December 2009	2,192	624	2,816

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 9 INCOME TAX (continued)

Bank – deferred income tax assets

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2008	241	1,062	-	271	1,574
Charged/ (credited) in income statement	379	1,077	-	187	1,643
Charged/ (credited) to equity	-	1,566	-	-	1,566
As at 1 January 2009	620	3,705	-	458	4,783
Charged/ (credited) in income statement	147	(897)	66,428	(171)	65,507
Allowance for deffered tax assets	-	-	(35,074)	-	(35,074)
Charged/ (credited) to equity	-	(1,955)	-	-	(1,955)
As at 31 December 2009	767	853	31,354	287	33,261

As at 31 December 2009 the Bank has LTL 442,851 thousand of unused tax losses to carry forward which has no expiry date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The Bank's and Group's deferred tax assets and liabilities as shown in the balance sheet are:

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Deferred income tax assets	33,273	5,420	33,261	4,783
Deferred income tax liabilities	(2,816)	(2,548)	(2,816)	(2,548)
	30,457	2,872	30,445	2,235

NOTE 10 EARNINGS PER SHARE

Earnings per share were calculated by dividing the Group's net profit for the period by the weighted average number of ordinary registered shares in issue during the period.

Calculation of weighted average for 2009	Note	Number of shares	Par value	Issued/ 365 (days)	Weighted average
Shares issued as of 31 December 2008		5,139,120	115	365/365	5,139,120
as of 20 August 2009		571,014	115	134/365	209,633
Shares issued as of 31 December 2009	30	**5,710,134**	**115**	**365/365**	**5,348,753**

Calculation of weighted average for 2008	Number of shares	Par value	Issued/ 365 (days)	Weighted average
Shares issued as of 31 December 2007	3,162,537	115	365/ 365	3,162,537
as of 20 August 2008	1,976,583	115	134/ 366	723,667
Shares issued as of 31 December 2008 (Note 30)	**5,139,120**	**115**	**366/366**	**3,886,204**

	2009 Group	2008 Group
Profit attributed to equity holders of the parent	(406,873)	69,407
Weighted average number of issued shares (units)	5,348,753	3,886,204
Earnings per share (LTL per share)	(76.07)	17.86

The 2009 and 2008 diluted earnings per share ratios are the same as basic earnings per share.

NOTE 11 CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Cash and other valuables	228,508	252,186	228,508	252,182
Placements with Central Bank:				
Required reserves in national currency	139,689	232,173	139,689	232,173
Total	368,197	484,359	368,197	484,355

Required reserves held with the bank of Lithuania are calculated monthly on a basis of previous month end liabilities and 4% (4% as of 31 December 2008) required reserves rate is applied. All required reserves are held only in LTL. The Bank of Lithuania pays interest for the required reserves. The interest is calculated from the base of compulsory reserves, calculated according to the requirements of European Central Bank (ECB). There is no interest for the remaining compulsory reserves. The interest rate for the interest bearing part is equal to the ECB refinancing interest rate, valid on the day of transaction.

NOTE 12 DUE FROM BANKS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Due from banks				
Demand deposits	162,790	67,600	162,790	67,600
Term deposits	167,452	64,163	167,452	63,117
Repurchase transactions	-	66,767	-	66,767
Long term loans	-	4,950	-	4,950
Total	330,242	203,480	330,242	202,434

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 13 TRADING SECURITIES

Group (Bank)

	2009			2008		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	14,561	-	-	54,237	-	560
Bonds issued by other banks	26,581	-	-	3,039	-	-
Government bonds of foreign issuers	32,890	-	-	960	-	-
Equity securities						
Corporate	-	-	-	11	-	-
Total	74,032	-	-	58,247	-	560

Since some of the financial markets were not fully active after liquidity crunch there were no quotes in the market for some debt securities held by the Group. For this reason at the end of 2008 Group has introduced pricing model for the securities which had no active market and no quotes available in the market. Respectively securities valued through the pricing model were classified as level 3. At the end of 2009 situation in financial markets had improved significantly so the pricing model was used at the much smaller extent than at the beginning of 2009. Therefore improvement of financial markets is the main reason for shifting securities out of level 3 to level 1. Although there were some shifts from level 1 to level 3 due to inactivity of markets of particular debt securities.

The movement of securities measured at fair value based on valuation techniques not based on observable market data (level 3) during 2009 and 2008:

Group (Bank)

As at 1 January 2009	**560**
Transfers out of level 3	(205)
Transfers into level 3	-
Unrealised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	-
Realised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	-
Sales	(355)
As at 31 December 2009	**-**
As at 1 January 2008	**-**
Transfers into level 3	512
Transfers out of level 3	-
Unrealised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	48
Realised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	-
As at 31 December 2008	**560**

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 14 SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Group (Bank)

	2009			2008		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Government bonds of the Republic of Lithuania	158,110	-	-	-	-	106,883
Bonds issued by other banks	42,660	-	-	-	-	
Government bonds of foreign issuers	30,256	-	-	133,896	-	55,165
Total	231,026	-	-	133,896	-	162,048

The movement of securities measured at fair value based on valuation techniques not based on observable market data (level 3) during 2009 and 2008:

Group (Bank)

As at 1 January 2009	**162,048**
Transfers out of level 3	(115,640)
Transfers into level 3	-
Unrealised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	-
Realised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	-
Sales	(46,408)
As at 31 December 2009	**-**
As at 1 January 2008	**-**
Transfers into level 3	166,067
Transfers out of level 3	-
Unrealised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	(4,019)
Realised gains/losses for assets held at the end of the reporting period included in profit or loss for the period	-
As at 31 December 2008	**162,048**

Coupon rates (yields for treasury bills) and maturities of these securities are as follows:

Group	2009		2008	
	%	Maturity (in years)	%	Maturity (in years)
Government bonds of the Republic of Lithuania	4.8	2.0	5.3	3.8
Government bonds of foreign issuers	5.4	1.5	4.7	2.9

Bank	2009		2008	
	%	Maturity (in years)	%	Maturity (in years)
Government bonds of the Republic of Lithuania	4.9	2.0	5.3	3.8
Government bonds of foreign issuers	5.4	1.5	4.7	2.9

NOTE 15 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments predominantly used for hedging against risks under the Group's risk management positions. The Group and the Bank enters into transactions involving the following derivative instruments:

- Currency forwards, which represent commitments to purchase and/or sell foreign and domestic currency in the future at a fixed price.
- Foreign exchange swap deals – agreements to exchange different currencies at agreed rate for a certain time period. At the same time it is agreed to buy and at later date to sell a certain amount of the same currency for another currency.
- Forward rate agreement – agreements on interest rates for notional amount of deposit or credit that will start in future.
- Interest rate swaps, which are contractual agreements according to which cash flow based on the fixed interest rate calculated on the notional amount is replaced with the cash flow based on the floating interest rate calculated on the same notional amount or vice versa. In addition, interest rate swaps of floating vs floating or fixed vs. fixed interest rate cash flows as well as those that currencies are swapped in addition to the interest rates can be contracted.
- Interest rate collars, which are agreements that set limits on interest rate payable by the buyer – the buyer has the right to receive compensation when interest rate exceeds certain level (ceiling) and obligation to pay compensation when interest rate falls below certain level (floor). Upon making the agreement, the buyer of collar pays or receives (depending on the terms) initial payment – premium.
- Option deals on currencies, equity and commodities – agreements by which the seller grants a non-obligating right to the buyer on a certain date to buy (call option) or to sell (put option) an underlying of such agreement (currency, equity or commodities) for a price agreed beforehand. For the equities and commodities, the Group uses only options that are executed in cash - that is the seller pays to the buyer certain amount that depends on the price change, if such change was in buyer's favor. The buyer pays certain commission or premium to the seller in advance, when the deal is made. The Group seeks to use option deals without taking any additional risk: when deal is made with the client, at the same time opposite deals are made with other banks.
- Credit default swaps (CDS) are used as a protection against a default event of a certain reference entity. The buyer of CDS receives a protection and pays a preset annual rate for that. In case of default of reference entity, the buyer would receive from the seller payment of nominal amount of CDS reduced by expected recovery rate.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, commodity or equity prices relative to their terms.

Aggregate amounts of derivatives contracts can fluctuate within the risk ratios limits set by the Group. Fair values of derivative financial assets and liabilities may fluctuate significantly subject to market development.

The fair values of derivative financial instruments are set out in the following table.

	Notional amounts		Fair values	
	Purchase	**Sale**	**Assets**	**Liabilities**
As at 31 December 2009				
FX forwards, swaps, put, call options	3,074,710	3,044,532	38,796	12,399
Interest rate swaps, collars	4,548,092	4,548,092	17,685	59,461
Equity linked options	697,989	-	7,004	-
Commodity linked options	31,490	-	293	-
Credit related agreements	17,495	8,632	265	764
Total	8,369,776	7,601,256	64,043	72,624
As at 31 December 2008				
FX forwards, swaps, put, call options	2,487,014	2,478,456	13,412	8,620
Interest rate swaps, collars	2,523,548	2,523,547	19,228	41,581
Equity linked options	869,858	3,176	7,254	20
Commodity linked options	46,243	-	802	-
Credit related agreements	-	-	-	-
Total	5,926,663	5,005,179	40,696	50,221

NOTE 16 SECURITIES AVAILABLE FOR SALE

Group

	2009			2008		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	3,568	-	143	1,797	-	146
Bonds of the banks	336,777	-	51,671	402,169	-	203,320
Equity securities						
Units of funds	767	-		758	-	-
Other	830	-		844	-	-
Total	341,942	-	51,814	405,568	-	203,466

Bank

	2009			2008		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Bonds of the banks	336,232	-	51,671	402,106	-	203,320
Other securities	830	-	-	844	-	-
Total	337,062	-	51,671	402,950	-	203,320

Total amount of available for sale securities are unimpaired assets.

The movement of securities measured at fair value based on valuation techniques not based on observable market data (level 3) during 2009 and 2008:

	Group	Bank
As at 1 January 2009	**203,466**	**203,320**
Transfers into level 3	17,284	17,284
Transfers out of level 3	(159,130)	(159,130)
Unrealised gains/losses for assets held at the end of the reporting period included in equity	(170)	(167)
Realised gains/losses for assets held at the end of the reporting period included in profit or loss	-	-
Sales	(9,636)	(9,636)
As at 31 December 2009	**51,814**	**51,671**
As at 1 January 2008		**-**
Transfers into level 3	207,592	207,444
Transfers out of level 3	-	-
Unrealised gains/losses for assets held at the end of the reporting period included in equity	(4,126)	(4,124)
Realised gains/losses for assets held at the end of the reporting period included in profit or loss	-	-
As at 31 December 2008	**203,466**	**203,320**

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 17 LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2009	2008	2009	2008
Loans and advances to financial institutions	216	45,970	247,703	127,300
Loans to business customers:				
- Public authorities, state and municipal entities	397,369	169,747	397,369	169,747
- Large corporates	2,747,428	2,948,215	2,747,428	2,948,215
- SMEs	2,368,226	2,607,543	2,368,244	2,607,543
- Farmers	266,509	342,465	266,509	342,465
- Other	18,353	8,584	18,354	8,584
Total loans to business customers	5,797,885	6,076,554	5,797,904	6,076,554
Loans to individuals (retail):				
- Consumer loans	418,072	616,563	418,072	616,563
- Mortgages	3,914,866	3,920,412	3,914,866	3,920,412
- Loans secured by equity linked bonds issued by Bank	547,682	596,261	547,682	596,261
- Other	52,631	38,373	52,631	38,373
Total loans to individuals (retail)	4,933,251	5,171,609	4,933,251	5,171,609
Total gross loans granted	10,731,352	11,294,133	10,978,858	11,375,463
Total allowance for impairment:	(667,312)	(114,523)	(667,312)	(114,523)
to financial institutions	-	-	-	-
to business customers	(510,127)	(85,916)	(510,127)	(85,916)
to individuals	(157,185)	(28,607)	(157,185)	(28,607)
Total net loans and advances to customers	10,064,040	11,179,610	10,311,546	11,260,940

Other loans include credit cards, reverse repurchase agreements, other loans backed by securities, other.

Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

31 December 2009

	Group and Bank loans to individuals (retail)	Group and Bank loans to business customers
Balance as at 1 January 2009	**28,607**	**85,916**
Change in allowance for loan impairment	143,190	429,216
Loans written off during the year as uncollectible	(14,612)	(5,005)
As at 31 December 2009	**157,185**	**510,127**
Individual impairment	135,578	473,399
Collective impairment	21,607	36,728
	157,185	**510,127**
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	508,628	1,271,198

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 17 LOANS AND ADVNACES TO CUSTOMERS (continued)

31 December 2008

	Group and Bank loans to individuals (retail)	Group and Bank loans to business customers
Balance as at 1 January 2008	**8,408**	**46,330**
Change in allowance for loan impairment	26,773	41,520
Loans written off during the year as uncollectible	(6,574)	(1,934)
As at 31 December 2008	**28,607**	**85,916**
Individual impairment	22,517	81,107
Collective impairment	6,090	4,809
	28,607	**85,916**
Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance	121,297	251,090

Net change in allowance for loan impairment accounts for LTL 572,406 thousands in the year ended 31 December, 2009 (2008: LTL 68,293 thousands).

There were no allowance for impairment against loans and advances to banks and financial institutions neither at Bank nor at the Group level as of end of 2008 and 2009. Respectively, there were no changes in allowance for loan impairment and write-offs for such loans and allowances in 2008 and 2009.

NOTE 18 FINANCE LEASE RECEIVABLES

	Up to one year	**From 1 to 5 years**	**Over 5 years**	**Total**
Gross investments in leasing				
Balance as at 31 December 2008	351,283	650,780	53,974	1,056,037
Change during 2009	(81,023)	(273,154)	(31,170)	(385,347)
Balance as at 31 December 2009	270,260	377,626	22,804	670,690
Unearned finance income on finance leases				
Balance as at 31 December 2008	49,305	68,551	7,498	125,354
Change during 2009	(32,718)	(49,581)	(6,542)	(88,841)
Balance as at 31 December 2009	16,587	18,970	956	36,513
Net investments in finance leases before impairment				
31 December 2008	301,978	582,229	46,476	930,683
31 December 2009	253,673	358,656	21,848	634,177
Changes in impairment				
Balance as at 31 December 2007	239	1,387	338	1,964
Increase (decrease) in impairment (Note 4)	6,661	19,240	415	26,316
Reclassification	668	-	-	668
Balance as at 31 December 2008	**7,568**	**20,627**	**753**	**28,948**
Increase (decrease) in impairment (Note 4)	12,728	90,507	263	103,498
Balance as at 31 December 2009	**20,296**	**111,134**	**1,016**	**132,446**
Net investments in finance leases after impairment				
31 December 2008	294,410	561,602	45,723	901,735
31 December 2009	**233,377**	**247,522**	**20,832**	**501,731**

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 19 INVESTMENTS IN SUBSIDIARIES

			2009	2008
	Share	Nominal value	Carrying value	Carrying value
Investments in consolidated subsidiaries				
DnB NORD Lizingas UAB	100%	2,000	2,200	2,200
DnB NORD Investicijų Valdymas UAB	100%	2,000	4,000	4,000
DnB NORD Būstas UAB	75,47%	2,000	3,700	2,700
UAB Intractus	100%	764	764	-
Total			10,664	8,900

NOTE 20 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and premises	Vehicles	Equipment	Construc-tion in progress	Total
31 December 2007					
Cost	88,782	24,725	63,141	4,322	180,970
Accumulated depreciation	(16,420)	(5,605)	(33,071)	-	(55,096)
Net book value	72,362	19,120	30,070	4,322	125,874
Reclassifications	-	-	4,048	-	4,048
Net book value as at 31 December 2007 after reclassification	72,362	19,120	34,118	4,322	129,922
Year ended as at 31 December 2008					
Net book value as at 1 January	72,362	19,120	34,118	4,322	129,922
Acquisitions	-	3,148	17,435	7,616	28,199
Transfers from construction in progress	7,133	-	-	(7,133)	-
Transfers to assets held-for-sale	-	-	(22)	-	(22)
Disposals and write-offs	(902)	(2,665)	(844)	-	(4,411)
Depreciation charge	(2,175)	(4,135)	(10,695)	-	(17,005)
Net book value as at 31 December	76,418	15,468	39,992	4,805	136,683
31 December 2008					
Cost	94,492	22,980	78,274	4,805	200,551
Accumulated depreciation	(18,074)	(7,512)	(38,282)	-	(63,868)
Net book value	76,418	15,468	39,992	4,805	136,683
Year ended as at 31 December 2009					
Net book value at 1 January	76,418	15,468	39,992	4,805	136,683
Acquisitions	-	-	2,985	-	2,985
Transfers from construction in progress	4,790	-	-	(4,790)	-
Disposals and write-offs	(167)	(4,373)	(436)	-	(4,976)
Depreciation charge	(3,266)	(2,998)	(12,115)	-	(18,379)
Net book value as at 31 December	77,775	8,097	30,426	15	116,313
31 December 2009					
Cost	98,625	14,568	74,515	15	187,723
Accumulated depreciation	(20,850)	(6,471)	(44,089)	-	(71,410)
Net book value	77,775	8,097	30,426	15	116,313
Economic life (in years)	50	6	3-10	-	-

The carrying amount of fully depreciated property, plant and equipment that is still in use:

31 December 2008	2,172	-	17,293	-	19,465
31 December 2009	1,602	-	20,336	-	21,938

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 20 PROPERTY, PLANT AND EQUIPMENT (continued)

From the total Group assets amount stated above the assets under operating lease agreements as at 31 December 2009 amounted to 8,259 LTL thousand (in 2008 LTL 15,589 thousand) and are as follows:

	Vehicles	**Equipment**	**Total**
31 December 2007			
Cost	24,625	1,876	26,501
Accumulated depreciation	(5,517)	(947)	(6,464)
Net book value	19,108	929	20,037
Year ended as at 31 December 2008			
Net book value as at 1 January	19,108	929	20,037
Acquisitions	3,077	-	3,077
Disposals and write-offs	(2,661)	(543)	(3,204)
Depreciation charge	(4,117)	(204)	(4,321)
Net book value as at 31 December	15,407	182	15,589
31 December 2008			
Cost	22,909	243	23,152
Accumulated depreciation	(7,502)	(61)	(7,563)
Net book value	15,407	182	15,589
Year ended as at 31 December 2009			
Net book value at 1 January	15,407	182	15,589
Disposals and write-offs	(4,344)	-	(4,344)
Depreciation charge	(2,966)	(20)	(2,986)
Net book value as at 31 December	8,097	162	8,259
31 December 2009			
Cost	14,568	243	14,811
Accumulated depreciation	(6,471)	(81)	(6,552)
Net book value	8,097	162	8,259
Economic life (in years)	6	6	-

NOTE 20 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank	**Buildings and premises**	**Vehicles**	**Equipment**	**Construc-tion in progress**	**Total**
31 December 2007					
Cost	88,782	100	60,233	4,322	153,437
Accumulated depreciation	(16,420)	(89)	(31,742)	-	(48,251)
Net book value	72,362	11	28,491	4,322	105,186
Reclassifications	-	-	4,048	-	4,048
Net book value as at 31 December 2007 after reclassification	72,362	11	32,539	4,322	109,234
Year ended as at 31 December 2008					
Net book value as at 1 January	72,362	11	32,539	4,322	109,234
Acquisitions	-	-	17,265	7,616	24,881
Transfers from construction in progress	7,133	-	-	(7,133)	-
Disposals and write-offs	(902)	(3)	(264)	-	(1,169)
Depreciation charge	(2,175)	(8)	(10,244)	-	(12,427)
Net book value as at 31 December	76,418	-	39,296	4,805	120,519
31 December 2008					
Cost	94,492	-	77,134	4,805	176,431
Accumulated depreciation	(18,074)	-	(37,838)	-	(55,912)
Net book value	76,418	-	39,296	4,805	120,519
Year ended as at 31 December 2009					
Net book value as at 1 January	76,418	-	39,296	4,805	120,519
Acquisitions		-	2,982	-	2,982
Transfers from construction in progress	4,790	-	-	(4,790)	-
Disposals and write-offs	(167)	-	(222)	-	(389)
Depreciation charge	(3,266)	-	(11,905)	-	(15,171)
Net book value as at 31 December	77,775	-	30,151	15	107,941
31 December 2009					
Cost	98,625	-	73,838	15	172,478
Accumulated depreciation	(20,850)	-	(43,687)	-	(64,537)
Net book value	77,775	-	30,151	15	107,941
Economic life (in years)	50		3-10	-	-

No assets were pledged to a third party as at 31 December 2009 and 31 December 2008.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment as at 31 December 2009 and 31 December 2008.

The carrying amount of fully depreciated property, plant and equipment that is still in use:

31 December 2008	2,172	-	17,282	-	19,454
31 December 2009	1,602	-	20,272	-	21,874

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 21 INVESTMENT PROPERTY

	Group	Bank
Net book value		
Year ended as at 31 December 2009	-	-
Acquisitions	754	-
Depreciation charge	-	-
Net book value as at 31 December	754	-
31 December 2009		
Cost	754	-
Accumulated depreciation	-	-
Net book value	754	-
Economic life (in years)	50	-

NOTE 22 INTANGIBLE ASSETS

	Group	**Bank**
31 December 2007		
Cost	19,514	18,398
Accumulated amortisation	(10,582)	(10,196)
Net book value	8,932	8,202
Year ended as at 31 December 2008		
Net book value as at 1 January	8,932	8,202
Acquisitions	1,162	1,013
Amortisation charge	(2,117)	(1,800)
Net book value as at 31 December	7,977	7,415
31 December 2008		
Cost	18,918	17,627
Accumulated amortisation	(10,941)	(10,212)
Net book value	7,977	7,415
Year ended as at 31 December 2009		
Net book value as at 1 January	7,977	7,415
Acquisitions	4,470	4,380
Amortisation charge	(2,241)	(1,909)
Disposals and write-offs	(7)	-
Net book value as at 31 December	10,199	9,886
31 December 2009		
Cost	23,297	21,948
Accumulated amortisation	(13,098)	(12,062)
Net book value	10,199	9,886
Economic life (in years)	3-5	5

Intangible assets include purchased computer software and software licences.

The carrying amount of fully amortised intangible assets that are still in use :

31 December 2008	6,138	6,115
31 December 2009	7,777	7,399

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 23 OTHER ASSETS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Accrued income	4,149	1,694	3,809	718
Deferred expenses	1,861	3,438	1,407	2,894
Repossessed assets	442	620	442	620
Prepayments for property and equipment	2,769	7,022	-	47
Assets bought for leasing activities	390	10,275	-	-
Prepayments and receivables	1,323	4,090	1,195	6,735
Other assets	12,515	7,548	7,708	2,963
Retrieved assets under cancelled lease contracts	119,129	15,091	-	-
Gross	142,578	49,778	14,561	13,977
Less: allowance for impairment of retrieved assets under cancelled lease contracts	(17,027)	(9,664)	-	-
allowance for impairment of other assets	(1,583)	(3,661)	(1,002)	(979)
Total	123,968	36,453	13,559	12,998

NOTE 24 DUE TO BANKS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Funds of banks				
Demand deposits	187,933	39,428	187,933	39,428
Term deposits	6,047,303	6,563,173	6,047,303	6,563,173
Loans	528,081	895,489	26,474	4,392
Total	6,763,317	7,498,090	6,261,710	6,606,993

NOTE 25 DUE TO CUSTOMERS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Demand deposits				
of public authorities	147,539	173,804	147,539	173,804
of state and municipal entities	63,065	251,003	63,065	251,003
of financial institutions	19,147	11,872	26,608	11,979
of private entities	863,533	819,026	863,651	819,424
of individuals	783,731	810,714	783,731	810,714
Total demand deposits	1,877,015	2,066,419	1,884,594	2,066,924
Term deposits				
of public authorities	7,750	78,243	7,750	78,243
of state and municipal entities	14,788	29,222	14,788	29,222
of financial institutions	59,305	59,005	59,305	95,665
of private entities	210,239	290,246	210,239	290,246
of individuals	1,181,050	1,292,804	1,181,050	1,292,804
Total term deposits	1,473,132	1,749,520	1,473,132	1,786,180
Term loan	55,101	5,593	55,101	5,593
Total	3,405,248	3,821,532	3,412,827	3,858,697

As at 31 December 2009 included in customer accounts were deposits of LTL 15,001 thousand (2008: LTL 12,137 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees and loans.

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 26 DEBT SECURITIES IN ISSUE

The Bank and the Group debt securities in issue were as follows:

	Currency	Interest rate	Maturity	Carrying value 2009	Carrying value 2008
Index linked bonds					
	LTL	-	2009 – 2012	375,802	388,311
	EUR	-	2009 – 2012	191,290	410,446
	LVL	-	2009-2010	1,960	12,303
	USD	-	2009	-	3,354
Embedded derivatives				7,193	8,003
Deffered profit from index linked bonds				5,609	14,869
Total				581,854	837,286
Other bonds					
	LTL	0 p.a.	2009	-	93,649
	LTL	0 p.a.	2010	101,285	-
	LTL	4.33 p.a.	2009	-	25,176
	LTL	6.25 p.a.	2009	-	59,049
	LTL	5.90 p.a.	2009	-	18,969
	LTL	6.28 p.a.	2009	-	48,151
	LTL	6.60 p.a.	2009	-	34,337
	LTL	6.90 p.a.	2009	-	30,710
	LTL	7.60 p.a.	2009	-	3,895
	LTL	9.80 p.a.	2010	12,934	12,961
	LTL	12.00 p.a.	2009	-	9,641
	EUR	0 p.a.	2009	-	5,224
	EUR	0 p.a.	2010	50,395	-
	EEK	0 p.a.	2010	10,530	-
	LVL	0 p.a.	2010	57,047	-
Total				232,191	341,762
Total debt securities in issue				**814,045**	**1,179,048**

The movements of deferred profit from index linked bonds were as follows:

	Group	Bank
As at 1 January 2009	14,869	14,869
Additions arising from new transactions	499	499
Released to profit and loss during the year	(9,759)	(9,759)
As at 31 December 2009	5,609	5,609
As at 1 January 2008	21,631	21,631
Additions arising from new transactions	4,036	4,036
Released to profit and loss during the year	(10,798)	(10,798)
As at 31 December 2008	14,869	14,869

NOTE 27 SUBORDINATED LOANS

	Group		Bank	
Loan providers:	**2009**	**2008**	**2009**	**2008**
Norddeutsche Landesbank Girozentrale	116,121	117,077	116,121	117,077
European Bank for Reconstruction and Development (EBRD)	38,458	38,874	38,458	38,874
Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig	8,768	8,768	8,768	8,768
Bank DnB NORD A/S	240,193	240,668	240,193	240,668
Total	403,540	405,387	403,540	405,387

All subordinated loans are denominated in Euro (EUR). The Group has not had any defaults of principal, interest or redemption amounts during the period on its borrowed funds (2008: nil). The lenders' claims arising from all the subordinated agreements shall be satisfied only after satisfaction of all claims of non-subordinated creditors. The claims of the subordinated creditors shall rank *pari passu* with the claims of other subordinated creditors.

In the year 2009 the Bank did not receive new subordinated loans.

During the year 2008 the Bank received two subordinated loans from Bank DnB NORD A/S – in May 2008, the Bank received EUR 15,000 thousand (LTL 51,792 thousand) subordinated loan and in August 2008, the Bank received EUR 26,000 thousand (LTL 89,773 thousand) subordinated loan. Both subordinated loans shall be repaid in full in 2015. The interest rate applicable to these subordinated loans is equal to 6-month EURIBOR + 2.40% p.a.

In December 2007, the Bank received the subordinated loan from Norddeutsche Landesbank Girozentrale (EUR 18,500 thousand / LTL 63,877 thousand). This loan is repayable in full in 2017. The interest rate on this loan is equal to 6-month EURIBOR + 0.9% p.a.

In 2006 the Bank received two subordinated loans from Bank DnB NORD A/S: in May 2006, the Bank and Bank DnB NORD A/S signed the Subordinated Loan Agreement, whereunder the Bank got EUR 16,000 thousand (LTL 55,245 thousand) loan, and in October 2006, the Bank and Bank DnB NORD A/S signed the Subordinated Loan Agreement, whereunder the Bank got EUR 12,500 thousand (LTL 43,160 thousand) loan. These loans are repayable in full in 2016. The interest rate applicable to these subordinated loans is equal to 6-month EURIBOR + 0.60% p.a.

In February 2005, the Bank and the foundation Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig, founded by Norddeutsche Landesbank Girozentrale, signed the Subordinated Loan Agreement, whereunder the Bank got EUR 2,500 thousand (LTL 8,632 thousand) loan. This loan is repayable in full in 2015. Until 24 February 2010, the interest rate applicable to the loan is 4.39% and thereafter (starting from 25 February 2010) the interest rate shall be 5.9%.

In August 2004, the Bank and the European Bank for Reconstruction and Development signed the Amended and Restated Subordinated Loan Agreement, pursuant thereto the amount of the previous subordinated loan was increased and the Bank got a further EUR 3,330 thousand loan in September 2004. This loan (EUR 11,000 thousand / LTL 37,981 thousand) is repayable in full in 2014. Until 28 September 2009 the interest rate applicable to the subordinated loan was 6 month EURIBOR + 1.4% p.a. and thereafter (starting from 29 September 2009) the interest rate is 6 month EURIBOR +2.4% p.a.

In July 2003, the Bank received the subordinated loan from Norddeutsche Landesbank Girozentrale (EUR 15,000 thousand / LTL 51,792 thousand). This loan is repayable in full in 2013. The interest rate on this loan is equal to 6-month EURIBOR + 0.61% p.a.

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 28 PROVISIONS

The movement of provisions was as follows:

	Group		Bank	
	Loan commitments and guarantees	Pending legal issues and tax litigation	Loan commitments and guarantees	Pending legal issues and tax litigation
As at 1 January 2009	**48**	**382**	**11,682**	**244**
Increase in provisions	308	455	96,347	455
Utilised	-	(210)	-	(210)
Unused amounts reversed	(39)	(133)	(813)	(133)
Changes due to exchange rates	(2)	-	(3)	-
As at 31 December 2009	**315**	**494**	**107,213**	**356**
Current (less than one year)	-	-	-	-
Non-current (more than one year)	315	494	107,213	356
As at 31 December 2009	**315**	**494**	**107,213**	**356**
As at 1 January 2008	**8**	**110**	**8**	**110**
Increase in provisions	64	440	11,698	140
Utilised	-	(146)	-	-
Unused amounts reversed	(21)	(21)	(21)	(5)
Changes due to exchange rates	(3)	(1)	(3)	(1)
As at 31 December 2008	**48**	**382**	**11,682**	**244**
Current (less than one year)	-	-	-	-
Non-current (more than one year)	48	382	11,682	244
As at 31 December 2008	**48**	**382**	**11,682**	**244**

Legal claims. As at 31 December 2009, contingent liabilities that may arise as a result of pending court proceedings in which the Group (Bank) would appear as a respondent amounted to LTL 494 thousand (2008: LTL 382 thousand). The Bank established a provision of LTL 356 thousand (2008: LTL 244 thousand) against potential losses in relation to the outcome of legal claims.

NOTE 29 OTHER LIABILITIES

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Accrued expenses	28,391	24,249	28,195	23,096
Deferred income	1,932	3,458	245	107
Transit accounts	5,016	7,535	5,016	7,535
Liabilities for transactions with payment cards	1,218	759	1,218	759
Liabilities to suppliers	191	3,790	-	-
Prepayment for finance lease	2,236	4,357	-	-
Investment in subsidiaries	-	-	19,310	-
Other liabilities	4,083	5,806	3,425	4,106
Total	43,067	49,954	57,409	35,603

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 30 SHARE CAPITAL

The squeeze-out of shares of AB DnB NORD Bankas ended on 21 July 2009. During the squeeze-out the largest shareholder of the bank, Bank DnB NORD A/S, acquired 3,656 ordinary registered shares of AB DnB NORD Bankas and increased its number of shares and voting rights in the Bank up to 99.91 percent.

On 20 August 2009 the amended Bylaws of AB DnB NORD, were registered with the Register of Legal Entities. The amended Bylaws of the Bank provide that the authorized share capital of the Bank is LTL 656,665,410 and is divided into 5,710,134 ordinary registered shares with LTL 115 par value each.

Share premium amounted to LTL 282,929 thousand as at 31 December 2009 (as at 31 December 2008 – LTL 277,218 thousand).

The main shareholders of the Bank are listed in the table below:

	2009			2008		
	Number of shares	**Nominal value, LTL thousand**	**%**	**Number of shares**	**Nominal value, LTL thousand**	**%**
Bank DNB NORD A/S (Denmark)	5,705,763	656,163	99.92	4,814,122	553,624	93.68
SKANDINAVSKA ENSKILDA BANKEN clients	-	-	-	257,188	29,577	5.00
Other	4,371	502	0.08	67,810	7,798	1.32
Total	5,710,134	656,665	100.00	5,139,120	590,999	100.00

NOTE 31 RESERVES

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Mandatory reserve	18,763	15,139	18,413	14,876
Other reserves	838	842	838	842
Financial assets revaluation reserve	(2,793)	(10,832)	(2,734)	(10,383)
Reserve capital	189,904	-	189,904	-
Total	206,712	5,149	206,421	5,335

According to the Law of the Republic of Lithuania on Banks, allocations to the mandatory reserve shall be compulsory and may not be less than 1/20 of the profit available for appropriation. The mandatory reserve may, by a decision of the annual or extraordinary general meeting of the shareholders, be used only to cover losses of the activities.
Other reserves contain fixed assets revaluation reserve which relates to the revaluation of tangible fixed assets.
Financial assets revaluation reserve relates to unrealised gains and losses arising from changes in fair value of securities classified as available-for-sale which are recognised directly in equity through the statement of changes in equity.

The movement of financial assets (available for sale securities) revaluation reserve were as follows:

	Group	**Bank**
As at 1 January 2009	(10,832)	(10,383)
Net gain/loss from changes in fair value	10,629	10,275
Net gain/loss transferred to net profit on disposal (Note 3)	(635)	(671)
Changes of deferred income taxes (Note 9)	(1,955)	(1,955)
As at 31 December 2009	(2,793)	(2,734)
As at 1 January 2008	(5,876)	(5,840)
Net gain/loss from changes in fair value	(5,485)	(5,053)
Net gain/loss transferred to net profit on disposal (Note 3)	(1,037)	(1,056)
Changes of deferred income taxes (Note 9)	1,566	1,566
As at 31 December 2008	(10,832)	(10,383)

NOTE 32 ASSETS / FUNDS UNDER MANAGEMENT

Assets under management and related liabilities are accounted for off- balance sheet.

Assets under management totalling to LTL 42,809 thousand as at 31 December 2009 (2008: LTL 45,963 thousand) consist of loans granted to legal entities and individuals, including farmers and house building associations and other companies. These loans were granted from the Lithuanian Agricultural Support Fund, the Farmers' Support Fund, the Agricultural Support Fund (proceeds from sale of grain received from the USA) and the Common Mortgage Support Fund.

The Bank manages these loans on behalf of the Lithuanian Ministry of Finance and the Lithuanian Ministry of Agriculture. The Bank's credit risk in respect these loans is limited to the customer's failure to pay the accrued interest margin. The Bank is not subject to any interest or currency risk on these loans.

Subsidiary DnB NORD Investicijų Valdymas UAB manages the following funds:

	2009	2008
Investment funds:		
DnB NORD Money Market Fund	60,358	5,499
DnB NORD Bond Fund	-	1,269
DnB NORD Equity Fund of funds	10,588	7,573
2rd pillar pension funds:		
DnB NORD pensija 1	23,462	16,053
DnB NORD pensija 2	102,546	70,618
DnB NORD pensija 3	106,508	70,467
3rd pillar pension fund:		
DnB NORD papildoma pensija	16,229	13,604
DnB NORD papildoma pensija 100	1,046	710
Value of individually managed investment portfolios	14,331	7,242
Total	335,068	193,035

NOTE 33 CONTINGENT LIABILITIES AND COMMITMENTS

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

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Guarantees	188,153	229,863	700,167	834,995
Letters of credit	5,714	23,067	5,714	23,067
Commitments to grant loans	694,215	1,262,272	1,135,175	1,864,131
Commitments to grant finance leases	4,647	38,613	-	-
Capital commitments and other commitments to acquire assets	3,229	7,158	1,159	1,434
Other commitments	11,872	8,460	12,373	9,163
Total	907,830	1,569,433	1,854,588	2,732,790

The management of the Bank considers the level of provisions to be sufficient to cover these losses.

Operating lease commitments – where the Bank is the lessee

The future aggregate minimum lease payments under non-cancellable operating lease agreements are as follows:

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Not later than 1 year	1,019	1,019	1,240	1,235
Later than 1 year and not later than 5 years	2,887	3,907	3,167	4,394
Later than 5 years	-	-	-	-
Total	3,906	4,926	4,407	5,629

As at 31 December 2009 total operating lease expenses of the Bank and of the Group incured to LTL 1,360 thousand and LTL 1,106 thousand, correspondingly (as at 31 December 2008 – LTL 1,272 thousand and LTL 1,073 thousand, correspondingly).

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 33 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Amounts receivable under operating lease – where the Group is the lessor

The future minimum lease payments receivable under non-cancellable operating lease agreements can be specified as follows:

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Not later than 1 year	2,112	4,170	-	-
Later than 1 year and not later than 5 years	545	2,944	-	-
Total	2,657	7,114	-	-

NOTE 34 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Cash (Note 11)	228,508	252,186	228,508	252,182
Correspondent accounts with other banks	74,386	25,683	74,386	25,683
Overnight deposits	84,675	41,915	84,675	41,915
Required reserves in national currency in Central Bank	139,670	208,753	139,670	208,753
Correspondent account with central bank	-	23,420	-	23,420
Total	527,239	551,957	527,239	551,953

NOTE 35 LIQUIDITY RISK

According to the regulations approved by the Bank of Lithuania, the liquidity ratio should not be less than 30%. In 2008 and 2009 the Bank and Group complied with the liquidity ratio set by the Bank of Lithuania.

The structure of the Group's assets and liabilities by the contractual remaining maturity as at 31 December 2009 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefi-ned	Total
Assets									
Cash and balances with central banks	368,197	-	-	-	-	-	-	-	368,197
Due from banks	78,115	198,971	7,647	6,980	28,817	9,712	-	-	330,242
Trading securities	-	2,233	13,380	8,940	24,649	24,110	720	-	74,032
Securities designated at fair value through profit or loss	-	-	2,761	29,850	69,750	76,386	52,279	-	231,026
Derivative financial instruments	-	9,731	10,440	17,501	11,584	12,620	2,167	-	64,043
Securities available-for-sale	-	9,744	18,011	12,176	17,694	334,251	283	1,597	393,756
Loans and advances to customers	-	167,719	420,351	519,799	1,799,328	1,836,712	4,560,031	760,100	10,064,040
Finance lease receivables	-	88,691	18,345	42,212	84,129	177,725	90,499	130	501,731
Property, plant and equipment	-	-	-	-	-	-	-	116,313	116,313
Investment property	-	-	-	-	-	-	-	754	754
Intangible assets	-	-	-	-	-	-	-	10,199	10,199
Deferred income tax asset	-	-	-	-	-	-	-	30,457	30,457
Other assets	266	8,048	399	165	29	4	5	115,052	123,968
Total assets	446,578	485,137	491,334	637,623	2,035,980	2,471,520	4,705,984	1,034,602	12,308,758

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 35 LIQUIDITY RISK (continued)

Liabilities and shareholders' equity									
Due to banks	73,965	944,445	944,759	902,892	1,661,568	2,106,208	129,480	-	6,763,317
Derivative financial instruments	-	6,220	9,334	5,511	10,011	21,004	20,544	-	72,624
Due to customers	1,879,568	322,697	470,820	398,050	272,632	53,399	8,082	-	3,405,248
Debt securities in issue	-	3,763	109,749	192,760	429,321	78,452	-	-	814,045
Current income tax liabilities	-	-	-	-	307	-	-	-	307
Subordinated loans	-	415	613	261	-	-	402,251	-	403,540
Provisions	-	-	19	9	145	140	2	494	809
Other liabilities	1,401	31,791	4,268	1,067	2,111	1,127	144	1,158	43,067
Shareholders' equity	-	-	-	-	-	-	-	805,801	805,801
Total liabilities and shareholders' equity	1,954,934	1,309,331	1,539,562	1,500,550	2,376,095	2,260,330	560,503	807,453	12,308,758
Net liquidity gap	(1,508,356)	(824,194)	(1,048,228)	(862,927)	(340,115)	211,190	4,145,481	227,149	-

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

	On demand	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 3 years**	**More than 3 years**	**Maturity undefi-ned**	**Total**
Total assets	510,282	405,146	569,628	780,050	1,463,606	4,087,274	5,656,414	485,250	13,957,650
Total liabilities and shareholders' equity	2,074,727	1,693,691	1,120,060	754,239	1,875,582	4,645,300	849,144	944,907	13,957,650
Net liquidity gap	(1,564,445)	(1,288,545)	(550,432)	25,811	(411,976)	(558,026)	4,807,270	(459,657)	-

The Group's liquidity ratio is the ratio of liquid assets to its current liabilities. Group's liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

The Group's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of the year:

	Liquid assets	**Current liabilities**	**Liquidity ratio (per cent)**
31 December 2008	1,749,467	4,668,364	37.47
31 December 2009	1,511,284	4,018,048	37.61

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 35 LIQUIDITY RISK (continued)

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2009 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity unde-fined	Total
Assets									
Cash and balances with central banks	368,197	-	-	-	-	-	-	-	368,197
Due from banks	78,115	198,971	7,647	6,980	28,817	9,712	-	-	330,242
Trading securities	-	2,233	13,380	8,940	24,649	24,110	720	-	74,032
Securities designated at fair value through profit or loss	-	-	2,761	29,850	69,750	76,386	52,279	-	231,026
Derivative financial instruments	-	9,731	10,440	17,501	11,584	12,620	2,167	-	64,043
Securities available-for-sale	-	9,197	17,421	10,313	17,000	333,972	-	830	388,733
Loans and advances to customers	-	168,899	420,351	519,799	1,806,924	1,857,774	4,777,699	760,100	10,311,546
Investments in subsidiaries	-	-	-	-	-	-	-	10,664	10,664
Property, plant and equipment	-	-	-	-	-	-	-	107,941	107,941
Intangible assets	-	-	-	-	-	-	-	9,886	9,886
Deferred income tax asset	-	-	-	-	-	-	-	30,445	30,445
Other assets	131	2,162	1	2	1	4	5	11,253	13,559
Total assets	446,443	391,193	472,001	593,385	1,958,725	2,314,578	4,832,870	931,119	11,940,314
Liabilities and shareholders' equity									
Due to banks	73,965	944,372	944,616	902,157	1,160,912	2,106,208	129,480	-	6,261,710
Derivative financial instruments	-	6,220	9,334	5,511	10,011	21,004	20,544	-	72,624
Due to customers	1,887,147	322,697	470,820	398,050	272,632	53,399	8,082	-	3,412,827
Debt securities in issue	-	3,763	109,749	192,760	429,321	78,452	-	-	814,045
Subordinated loans	-	415	613	261	-	-	402,251	-	403,540
Provisions	-	-	9,501	9	2,814	94,887	2	356	107,569
Other liabilities	1,328	28,555	4,203	875	1,911	82	-	20,455	57,409
Shareholders' equity	-	-	-	-	-	-	-	810,590	810,590
Total liabilities and shareholders' equity	1,962,440	1,306,022	1,548,836	1,499,623	1,877,601	2,354,032	560,359	831,401	11,940,314
Net liquidity gap	(1,515,997)	(914,829)	(1,076,835)	(906,238)	81,124	(39,454)	4,272,511	99,718	-

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 35 LIQUIDITY RISK (continued)

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2008 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefi-ned	Total
Total assets	510,278	349,756	521,760	716,817	1,316,103	3,730,127	5,481,194	475,478	13,101,513
Total liabilities and shareholders' equity	2,075,176	1,713,812	1,082,675	682,529	1,737,061	4,016,277	848,279	945,704	13,101,513
Net liquidity gap	(1,564,898)	(1,364,056)	(560,915)	34,288	(420,958)	(286,150)	4,632,915	(470,226)	-

The Bank's liquidity ratio is the ratio of liquid assets to its current liabilities. Bank's liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

The Bank's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of each year:

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2008	1,703,943	4,705,489	36.21
31 December 2009	1,419,186	4,048,772	35.05

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 36 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS

The Group's open positions of prevailing currencies as at 31 December 2009 were as follows:

	USD	EUR	GBP	RUB	Other curren-cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	11,322	50,289	5,621	515	25,000	92,747	275,450	368,197
Due from banks	15,606	286,133	3,629	330	24,544	330,242	-	330,242
Trading securities	77	15,464	-	-	43,168	58,709	15,323	74,032
Securities designated at fair value through profit or loss	-	133,568	-	-	-	133,568	97,458	231,026
Derivative financial instruments	461	25,401	-	-	-	25,862	38,181	64,043
Securities available for sale	780	380,480	-	-	9,005	390,265	3,491	393,756
Loans and advances to customers	225,556	7,473,026	-	-	130	7,698,712	2,365,328	10,064,040
Finance lease receivables	-	608,629	-	-	-	608,629	(106,898)	501,731
Property, plant and equipment	-	-	-	-	-	-	116,313	116,313
Investment property	-	-	-	-	-	-	754	754
Intangible assets	-	-	-	-	-	-	10,199	10,199
Deferred income tax assets	-	-	-	-	-	-	30,457	30,457
Other assets	104	6,586	30	1	44	6,765	117,203	123,968
Total assets	253,906	8,979,576	9,280	846	101,891	9,345,499	2,963,259	12,308,758
Liabilities and shareholders' equity								
Due to banks	168,586	6,555,992	120	338	4	6,725,040	38,277	6,763,317
Derivative financial instruments	389	60,378	-	-	-	60,767	11,857	72,624
Due to customers	90,791	700,014	4,596	100	15,648	811,149	2,594,099	3,405,248
Debt securities in issue	-	250,057	-	-	69,536	319,593	494,452	814,045
Current income tax liabilities	-	-	-	-	-	-	307	307
Deferred income tax liabilities	-	-	-	-	-	-	-	-
Subordinated loans	-	403,540	-	-	-	403,540	-	403,540
Provisions	148	40	-	-	-	188	621	809
Other liabilities	317	12,858	18	-	40	13,233	29,834	43,067
Shareholders' equity	-	(3,375)	-	-	-	(3,375)	809,176	805,801
Total liabilities and shareholders' equity	260,231	7,979,504	4,734	438	85,228	8,330,135	3,978,623	12,308,758
Net balance sheet position	(6,325)	1,000,072	4,546	408	16,663	1,015,364	(1,015,364)	-
Off-balance sheet position	6,443	(1,094,092)	(4,631)	-	(10,016)	(1,102,296)	1,133,856	31,560
Net open position	118	(94,020)	(85)	408	6,647	(86,932)	118,492	31,560

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

	USD	EUR	GBP	RUB	Other curren-cies	Total curren-cies	LTL	Total
Assets	283,481	9,378,816	7,834	994	37,221	9,708,346	4,249,304	13,957,650
Liabilities and shareholders' equity	367,471	8,642,889	3,434	355	27,065	9,041,214	4,916,436	13,957,650
Net balance sheet position	(83,990)	735,927	4,400	639	10,156	667,132	(667,132)	-
Off balance sheet position	82,500	(883,719)	(3,800)	-	(1,675)	(806,694)	815,473	8,779
Net open position	(1,490)	(147,792)	600	639	8,481	(139,562)	148,341	8,779

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 36 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

The Bank's open positions of prevailing currencies as at 31 December 2009 were as follows:

	USD	EUR	GBP	RUB	Other curren-cies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	11,322	50,289	5,621	515	25,000	92,747	275,450	368,197
Due from banks	15,606	286,133	3,629	330	24,544	330,242	-	330,242
Trading securities	77	15,464	-	-	43,168	58,709	15,323	74,032
Securities designated at fair value through profit or loss	-	133,568	-	-	-	133,568	97,458	231,026
Derivative financial instruments	461	25,401	-	-	-	25,862	38,181	64,043
Securities available for sale	780	378,948	-	-	9,005	388,733	-	388,733
Loans and advances to customers	225,556	7,583,366	-	-	130	7,809,052	2,502,494	10,311,546
Investments in subsidiaries	-	-	-	-	-	-	10,664	10,664
Property, plant and equipment	-	-	-	-	-	-	107,941	107,941
Intangible assets	-	-	-	-	-	-	9,886	9,886
Deferred income tax assets	-	-	-	-	-	-	30,445	30,445
Other assets	104	4,789	30	1	44	4,968	8,591	13,559
Total assets	253,906	8,477,958	9,280	846	101,891	8,843,881	3,096,433	11,940,314
Liabilities and shareholders' equity								
Due to banks	168,586	6,054,385	120	338	4	6,223,433	38,277	6,261,710
Derivative financial instruments	389	60,378	-	-	-	60,767	11,857	72,624
Due to customers	90,791	702,191	4,596	100	15,648	813,326	2,599,501	3,412,827
Debt securities in issue	-	250,057	-	-	69,536	319,593	494,452	814,045
Subordinated loans	-	403,540	-	-	-	403,540	-	403,540
Provisions	148	40	-	-	-	188	107,381	107,569
Other liabilities	317	12,726	18	-	40	13,101	44,308	57,409
Shareholders' equity	-	(3,375)	-	-	-	(3,375)	813,965	810,590
Total liabilities and shareholders' equity	260,231	7,479,942	4,734	438	85,228	7,830,573	4,109,741	11,940,314
Net balance sheet position	(6,325)	998,016	4,546	408	16,663	1,013,308	(1,013,308)	-
Off-balance sheet position	6,443	(1,094,092)	(4,631)	-	(10,016)	(1,102,296)	990,972	(111,324)
Net open position	118	(96,076)	(85)	408	6,647	(88,988)	(22,336)	(111,324)

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

	USD	EUR	GBP	RUB	Other curren-cies	Total curren-cies	LTL	Total
Assets	285,495	8,526,945	7,172	990	37,221	8,857,823	4,243,690	13,101,513
Liabilities and shareholders' equity	367,469	7,786,093	3,434	355	27,065	8,184,416	4,917,097	13,101,513
Net balance sheet position	(81,974)	740,852	3,738	635	10,156	673,407	(673,407)	-
Off balance sheet position	82,500	(883,719)	(3,800)	-	(1,675)	(806,694)	772,877	(33,817)
Net open position	526	(142,867)	(62)	635	8,481	(133,287)	99,470	(33,817)

According to the regulations approved by the Bank of Lithuania, the overall open position (except EUR) of the bank's calculated capital (see part 7 "Capital management" of the Financial risk management) should not exceed 25% and the open position of each individual foreign currency (except EUR) should not exceed 15% of the bank's calculated capital.

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 37 INTEREST RATE RISK

The table below summarises the Group's interest rate risks as at 31 December 2009. Assets and liabilities are shown at their carrying amounts categorised by the earlier of contractual reprising or maturity dates.

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	368,197	-	-	-	-	-	-	368,197
Due from banks	277,087	7,759	7,053	28,853	9,490	-	-	330,242
Trading securities	2,232	13,381	8,941	24,649	14,143	10,686	-	74,032
Securities designated at fair value through profit or loss	-	2,761	29,850	69,750	76,386	52,279	-	231,026
Derivative financial instruments	143	1,668	739	4,610	8,358	2,167	46,358	64,043
Securities available- for-sale	132,879	256,161	1,863	694	279	283	1,597	393,756
Loans and advances to customers	1,138,250	2,081,319	3,989,001	903,642	836,583	1,115,245	-	10,064,040
Finance lease receivables	147,236	179,132	229,778	6,579	(67,843)	6,719	130	501,731
Property, plant and equipment	-	-	-	-	-	-	116,313	116,313
Investment property							754	754
Intangible assets							10,199	10,199
Deferred income tax asset							30,457	30,457
Other assets					1		123,967	123,968
Total assets	2,066,024	2,542,181	4,267,225	1,038,777	877,397	1,187,379	329,775	12,308,758
Liabilities and shareholders' equity								
Due to banks	1,042,577	1,058,699	1,269,665	1,156,688	2,106,208	129,480	-	6,763,317
Derivative financial instruments	2,375	6,712	2,426	7,323	20,358	20,267	13,163	72,624
Due to customers	2,245,349	460,564	387,940	252,697	47,990	8,082	2,626	3,405,248
Debt securities in issue	3,166	103,891	191,722	435,702	79,564	-	-	814,045
Current income tax liabilities	-	-	-	-	-	-	307	307
Subordinated loans	52,207	38,594	304,107	-	-	8,632	-	403,540
Provisions	-	-	-	-	-	-	809	809
Other liabilities	-	-	-	-	-	-	43,067	43,067
Shareholders' equity	-	-	-	-	-	-	805,801	805,801
Total liabilities and shareholders' equity	3,345,674	1,668,460	2,155,860	1,852,410	2,254,120	166,461	865,773	12,308,758
Interest rate sensitivity gap	(1,279,650)	873,721	2,111,365	(813,633)	(1,376,723)	1,020,918	(535,998)	-

NOTE 37 INTEREST RATE RISK (continued)

The Group's interest rate risks as at 31 December 2008 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	1,506,913	2,939,645	6,015,066	601,810	1,560,690	817,252	516,274	13,957,650
Total liabilities and shareholders' equity	3,977,303	3,334,857	3,714,184	455,960	1,018,309	454,659	1,002,378	13,957,650
Interest rate sensitivity gap	(2,470,390)	(395,212)	2,300,882	145,850	542,381	362,593	(486,104)	-

The Bank's interest rate risk as at 31 December 2009 is as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	368,197	-	-	-	-	-	-	368,197
Due from banks	277,087	7,759	7,053	28,853	9,490	-	-	330,242
Trading securities	2,232	13,381	8,941	24,649	14,143	10,686	-	74,032
Securities designated at fair value through profit or loss	-	2,761	29,850	69,750	76,386	52,279	-	231,026
Derivative financial instruments	143	1,668	739	4,610	8,358	2,167	46,358	64,043
Securities available-for-sale	132,332	255,571	-	-	-	-	830	388,733
Loans and advances to customers	1,139,432	2,081,322	4,204,727	911,238	857,645	1,117,182	-	10,311,546
Investments in subsidiaries	-	-	-	-	-	-	10,664	10,664
Property, plant and equipment	-	-	-	-	-	-	107,941	107,941
Intangible assets	-	-	-	-	-	-	9,886	9,886
Deferred income tax asset	-	-	-	-	-	-	30,445	30,445
Other assets	-	-	-	-	1	-	13,558	13,559
Total assets	1,919,423	2,362,462	4,251,310	1,039,100	966,023	1,182,314	219,682	11,940,314
Liabilities and shareholders' equity								
Due to banks	1,018,337	944,616	906,381	1,156,688	2,106,208	129,480	-	6,261,710
Derivative financial instruments	2,375	6,712	2,426	7,323	20,358	20,267	13,163	72,624
Due to customers	2,252,928	460,564	387,940	252,697	47,990	8,082	2,626	3,412,827
Debt securities in issue	3,166	103,891	191,722	435,702	79,564	-	-	814,045
Subordinated loans	52,207	38,594	304,107	-	-	8,632	-	403,540
Provisions	-	-	-	-	-	-	107,569	107,569
Other liabilities	-	-	-	-	-	-	57,409	57,409
Shareholders' equity	-	-	-	-	-	-	810,590	810,590
Total liabilities and shareholders' equity	3,329,013	1,554,377	1,792,576	1,852,410	2,254,120	166,461	991,357	11,940,314
Interest rate sensitivity gap	(1,409,590)	808,085	2,458,734	(813,310)	(1,288,097)	1,015,853	(771,675)	-

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 37 INTEREST RATE RISK (continued)

The Bank's interest rate risks as at 31 December 2008 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	1,369,207	2,622,606	5,659,135	592,551	1,563,376	811,136	483,502	13,101,513
Total liabilities and shareholders' equity	3,811,971	3,166,595	3,193,846	455,675	1,018,309	454,659	1,000,458	13,101,513
Interest rate sensitivity gap	(2,442,764)	(543,989)	2,465,289	136,876	545,067	356,477	(516,956)	-

NOTE 38 RELATED PARTY TRANSACTIONS

The balances of loans granted by the Group to management and close family members, deposits accepted as at the end of the period are as follows:

	Balances of deposits		Principal of loans outstanding	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Management of the Group and close family members of management	3,062	2,271	4,152	22,824

In 2009 the total compensations for the Group management approximated LTL 3,089 thousand (in 2008 – LTL 4,613 thousand). In 2009 the total compensations for the Bank's management approximated LTL 2,413 thousand (in 2008 – LTL 3,566 thousand).

The following balances were outstanding with Bank DnB NORD A/S (the parent company):

Assets	**2009**	**2008**
Derivative financial instruments	9,113	5,521
Receivable	2,906	1,381
Liabilities		
Correspondent bank accounts	34,310	-
Loans	-	24,824
Subordinated loans	240,194	240,669
Payble	11,653	116

Income	**2009**	**2008**
Fee and commission	656	-
Net gain (loss) from foreign exchange	6	-
Net gain (loss) from operations with financial instruments	68,170	5,533
Other	-	125
Expenses		
Interest	9,761	39,399
Fee and commission	2	14
Other	10,892	14,078

NOTE 38 RELATED PARTY TRANSACTIONS (continued)

The following balances were outstanding with DnB NOR Group and NORD/LB Group companies:

Assets	**2009**	**2008**
Correspondent bank accounts	11,267	4,829
Overnight deposits	84,676	41,918
Term deposits	167,451	47,670
Derivative financial instruments	5,388	11,205
Loans and advances to customers	-	2
Accrued income	18	33
Debt securities	9,005	8,967
Liabilities		
Correspondent bank accounts	1,995	410
Overnight deposits	107,968	-
Term deposits	6,017,302	6,514,017
Loans	501,607	866,272
Derivative financial instruments	41,907	35,289
Demand deposits	1,627	109
Subordinated loans	116,121	117,078
Debt securities in issue	16,310	-

Income	**2009**	**2008**
Interest	3,861	12,031
Fee and commission	494	1,194
Net gain (loss) from foreign exchange	(110)	(101)
Net gain (loss) from operations with financial instruments	(6,845)	6,912
Other	6,600	39
Expenses		
Interest	186,168	285,543
Fee and commission	74	63
Other	777	178

The following balances were outstanding on the Bank balance sheet with subsidiaries:

Assets	**2009**	**2008**
Loans	247,506	81,330
Equity securities	10,664	8,900
Other assets	128	3,729
Liabilities		
Demand deposits	7,579	505
Term deposits	-	36,660
Other liabilities	19,310	18,371

The main income/expenses of the Bank from transactions with subsidiaries are as follows:

Income	**2009**	**2008**
Interest	7,624	4,395
Fee and commission	6,622	6,444
Dividends	1,199	487
Other	85	190
Expenses		
Interest	469	216
Fee and commission	24	126
Other	205	305
Impairment	19,310	18,371

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary cource of business. The interest charged to and by related parties are at normal commercial rates.

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 39 CONCENTRATION EXPOSURE

According to the regulations approved by the Bank of Lithuania, maximum exposure per one borrower may not exceed 25 per cent of bank calculated capital. The total of large loans granted by a bank may not exceed 800 per cent of bank calculated capital. In 2008 and 2009 the Bank complied with maximum exposure to one borrower and the large exposure requirements set by the Bank of Lithuania. As at 31 December 2009, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, amounted to LTL 121 million (total amount represents commitments to provide credit facilities), which is 10,39 % of the Bank's calculated capital (2008: LTL 172 million and 13.12% respectively); the total large loans ratio as at 31 December 2009 is 79,57 % of the Bank's calculated capital (2008: 89.19 % respectively).

NOTE 40 COMPLIANCE WITH REGULATORY REQUIREMENTS

According to local legislation Bank is required to prepare financial group consolidated financial information. Financial group includes the Bank and subsidiaries engaged in financial service activities, that is UAB DnB NORD Lizingas and UAB DnB NORD Investicijų Valdymas. In 2009 Financial group complied with all prudential ratios set by the Bank of Lithuania. Financial group consolidated income statement, statements of comprehensive income, financial position, changes in shareholder's equity and cash flows are presented in this note below:

FINANCIAL GROUP INCOME STATEMENT

	Financial Group	
	2009	**2008**
Interest income	648,297	817,261
Interest expense	(371,964)	(508,710)
Net interest income	276,333	308,551
Fee and commission income	74,366	85,246
Fee and commission expense	(16,420)	(17,316)
Net interest, fee and commission income	334,279	376,481
Net gain on operations with securities and derivative financial instruments	89,227	(2,922)
Net foreign exchange gain	8,247	9,953
Impairment losses and provisions	(681,681)	(99,756)
Other income	12,122	7,267
Personnel expenses	(82,674)	(96,895)
Depreciation and amortisation	(20,516)	(19,016)
Other administrative expenses	(92,783)	(90,842)
Profit (loss) before income tax	(433,779)	84,270
Income tax	27,672	(13,455)
Net profit (loss) for the year	(406,107)	70,815
Profit (loss) attributable to:		
Equity holders of the parent	(406,107)	70,815

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 40 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

THE FINANCIAL GROUP STATEMENT 0F COMPREHENSIVE INCOME

	Financial group	
	2009	**2008**
Profit (loss) for the year	**(406,107)**	**70,815**
Other comprehensive income (expenses), net of tax available for sale assets revaluation	8,039	(4,956)
Total other comprehensive income, net of tax	8,039	(4,956)
Total comprehensive income(expenses) for the period, net of tax	**(398,068)**	**65,859**
Atributable to:		
Equity holders of the parent	(398,068)	65,859

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 40 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUPS STATEMENT OF FINANCIAL POSITION

	Financial Group	
	31 December 2009	**31 December 2008**
ASSETS		
Cash and balances with central banks	368,197	484,359
Due from banks	330,242	203,480
Trading securities	74,032	58,807
Securities designated at fair value through profit or loss	231,026	295,944
Derivative financial instruments	64,043	40,696
Securities available-for-sale	393,756	609,034
Loans and advances to customers	10,064,059	11,179,610
Finance lease receivables	501,731	901,735
Investments in subsidiaries	5,114	2,700
Property, plant and equipment	116,243	136,535
Intangible assets	10,159	7,903
Deferred income tax asset	30,457	2,872
Other assets	122,415	36,260
Total assets	**12,311,474**	**13,959,935**
LIABILITIES AND EQUITY		
Due to banks	6,763,317	7,498,090
Derivative financial instruments	72,624	50,221
Due to customers	3,405,366	3,821,930
Debt securities in issue	814,045	1,179,048
Current income tax liabilities	307	9,634
Subordinated loans	403,540	405,387
Provisions	671	292
Other liabilities	42,905	49,847
Total liabilities	**11,502,775**	**13,014,449**
Equity attributable to equity holders of parent		
Ordinary shares	656,665	590,999
Share premium	282,929	277,218
Retained earnings	(337,607)	72,120
Reserves	206,712	5,149
Total shareholders' equity	**808,699**	**945,486**
Total liabilities and equity	**12,311,474**	**13,959,935**

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(all amounts are in LTL thousand, if not otherwise stated)

NOTE 40 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of parent						
	Issued shares	Share premium	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2008	**363,692**	**205,747**	**(5,876)**	**7,044**	**863**	**161,890**	**733,360**
Total comprehensive income	-	-	(4,956)	-	-	70,815	65,859
Depreciation transfer for land and buildings	-	-	-	-	(21)	21	-
Increase of share capital (by issuing ordinary registered shares from the own funds of the Bank)	181,846	(29,335)	-	-	-	(152,511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45,461	100,806	-	-	-	-	146,267
Transfer to mandatory reserve	-	-	-	8,095	-	(8,095)	-
Balance at 31 December 2008	**590,999**	**277,218**	**(10,832)**	**15,139**	**842**	**72,120**	**945,486**
Total comprehensive income	**-**	**-**	8,039	-	-	(406,107)	(398,068)
Depreciation transfer for land and buildings	**-**	**-**	-	-	(4)	4	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	65,666	5,711	-	-	-	-	71,377
Increase of reserve capital (by additional contributions of shareholders)					189,904		189,904
Transfer to mandatory reserve	-	-	-	3,624	-	(3,624)	-
Balance at 31 December 2009	**656,665**	**282,929**	**(2,793)**	**18,763**	**190,742**	**(337,607)**	**808,699**

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(all amounts are in LTL thousand, if not otherwise stated)

NOTE 40 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CASH FLOWS

	Financial Group	
	2009	**2008**
Operating activities		
Interest receipt	588,617	735,208
Interest payments	(341,657)	(441,863)
Collected previously written-off loans	2,803	3,277
Receipts from FX trading	64,396	17,740
Net receipt from operations in securities	15,790	7,202
Fee and commission receipt	74,366	85,246
Fee and commission payments	(16,416)	(17,316)
Salaries and related payments	(87,833)	(110,359)
Other payments	(80,661)	(84,575)
Net cash flow from operating profits before changes in operating assets and liabilities	219,405	194,560
(Increase) decrease in operating assets		
(Increase) decrease in loans to credit and financial institutions	11,606	217,974
(Increase) in loans granted	540,496	(2,475,083)
Purchase of trading securities	(1,706,930)	(185,073)
Proceeds from trading securities	1,695,475	127,741
(Increase) decrease in assets	174,322	(142,612)
Change in operating assets	714,969	(2,457,053)
Increase (decrease) in liabilities		
Increase (decrease) in liabilities to credit and financial institutions	(324,847)	2,420,924
Increase (decrease) in deposits	(427,998)	(423,113)
Increase (decrease) in other liabilities	(1,402)	(10,771)
Change in liabilities	(754,247)	1,987,040
Income tax paid	(8,827)	(22,441)
Net cash flows from operating activities	171,300	(297,894)
Investing activities		
Acquisition of property, plant , equipment and intangible assets	(7,452)	(16,907)
Disposal of property, plant, equipment and intangible assets	4,190	6,569
Purchase of available for sale securities	(5,871)	(13,498)
Proceeds from available for sale securities	228,921	123,876
Purchase of securities designated at fair value through profit or loss	(254,176)	(292,121)
Proceeds from securities designated at fair value through profit or loss	318,804	2,942
Dividends received	10	6
Interest received	40,559	34,688
Investment in subsidiaries	(1,764)	(1,700)
Net cash flows from investing activities	323,221	(156,145)
Financing activities		
Own debt securities redemption	(816,501)	(1,319,257)
Own debt securities issued	467,794	1,438,855
Increase in share capital	71,377	146,267
Increase in reserve capital	189,904	-
Received subordinated loans	-	141,565
Interest paid	(51,800)	(57,612)
Received loans	24,170	224,432
Repaid loans	(403,978)	(103,584)
Net cash flows from financing activities	(519,034)	470,666
Net increase in cash and cash equivalents	(24,513)	16,627
Net foreign exchange difference on cash and cash equivalents	(205)	358
Cash and cash equivalents at 1 January	551,957	534,972
Cash and cash equivalents as at 31 December	527,239	551,957

(all amounts are in LTL thousand, if not otherwise stated)

NOTE 41 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

After the account managers have implemented the decision of the Second District Court of Vilnius City dated 17 December 2009 regarding the transfer of ownership rights to 4,371 shares of AB DnB NORD Bankas to Bank DnB NORD A/S, Bank DnB NORD A/S completed the squeeze-out procedure of AB DnB NORD Bankas shares on 1 February 2010 and became the sole shareholder of AB DnB NORD Bankas having 100 percent ownership of shares and votes in AB DnB NORD Bankas.