

**AB ŪKIO BANKAS**

***Independent Auditor's Report,  
Annual Report and  
Financial Statements  
for the year ended 31 December 2011***

# AB ŪKIO BANKAS

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## INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Ūkio Bankas:

### **Report on the Financial Statements**

We have audited the accompanying separate financial statements of AB Ūkio Bankas (“the Bank”) and the consolidated financial statements of AB Ūkio Bankas and subsidiaries (“the Group”) (pages 30 to 109), which comprise the Bank’s and the Group’s statements of financial position as of 31 December 2011, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management’s Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with the Republic of Lithuania law on accounting and financial reporting and International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor’s Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the separate and consolidated 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 separate and consolidated 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 separate and consolidated 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 separate and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2011, and their financial performance and their cash flows for the year then ended in accordance with the Republic of Lithuania law on accounting and financial reporting and International Financial Reporting Standards as adopted by the European Union.

## **Report on Other Legal and Regulatory Requirements**

As required by the Law on Banks of the Republic of Lithuania, Article 61, the Bank has presented financial information (pages 110 to 116) of the Financial Group that comprise financial information extracted from the separate financial statements of the Bank and the consolidated financial statements of the Group. In our opinion, the financial information of the Financial Group is consistent, in all material respects, with the separate financial statements of the Bank and the consolidated financial statements of the Group from which it was derived.

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2011 (pages 5 to 29) and have not noted any material inconsistencies between financial information included in it and the separate and the consolidated financial statements for the year ended 31 December 2011.

Deloitte Lietuva, UAB  
Licence No. 001275

Sigitas Babarskas  
Lithuanian Certified Auditor  
Licence No. 000403

Vilnius, Republic of Lithuania  
7 March 2012

A large, stylized handwritten signature in black ink, likely belonging to Sigitas Babarskas, the Lithuanian Certified Auditor mentioned in the text. The signature is fluid and extends across the right side of the page.

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

### REPORTING PERIOD

The annual report includes information for the year 2011. All amounts are presented as of 31 December 2011 or for the year then ended, unless otherwise stated. AB Ūkio Bankas is also being referred to as "the Bank" and AB Ūkio Bankas Group – "the Group".

### COMPANIES CONSTITUTING THE GROUP AND THEIR CONTACT DETAILS

As of 31 December 2011, AB Ūkio Bankas Group consisted of AB Ūkio Bankas (parent company), 9 subsidiaries and one subsidiary held for sale, listed below:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100%
UAB GD Bonum Publicum	Life insurance	Vilnius, Lithuania	100%
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100%
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Asset management and administration	Kaunas, Lithuania	100%
RAB Ūkio Bank Lizing *	Finance lease	Kiev, Ukraine	100%
UAB Investicinio Turto Valdymas	Asset management and administration	Vilnius, Lithuania	100%
UAB Trade Project	Lease and administration of real estate	Kaunas, Lithuania	100%
UAB Turto Valdymo Paslaugos	Asset management	Kaunas, Lithuania	100%
UAB Eastern Europe Development Fund	Asset management	Kaunas, Lithuania	100%
UAB Sporto Klubų Investicijos (held for sale) *	Asset management	Kaunas, Lithuania	100%

\* UAB Ūkio Banko Rizikos Kapitalo Valdymas owns 100% of the shares of RAB Ūkio Bank Lizing and UAB Sporto Klubų Investicijos.

#### Contact details of parent company:

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

#### Contact details of UAB Ūkio Banko Lizingas:

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

#### Contact details of GD UAB Bonum Publicum:

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

## AB ŪKIO BANKAS

### ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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#### Contact details of UAB Ūkio Banko Investicijų valdymas:

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

#### Contact details of UAB Ūkio Banko Rizikos Kapitalo Valdymas:

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

#### Contact details of RAB Ūkio Bank Lizing:

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

#### Contact details of UAB Investicinio Turto Valdymas:

Name of the Subsidiary	UAB Investicinio Turto Valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 30 May 2005
Registration number	300118934
Head Office address	Aguonų str. 10, LT- 03213 Vilnius, Republic of Lithuania
Telephone number	+370 687 32405, +370 37 301 301
E-mail address	<a href="mailto:ub@ub.lt">ub@ub.lt</a>
Website	<a href="http://www.ub.lt">www.ub.lt</a>

#### Contact details of UAB Trade Project:

Name of the Subsidiary	UAB Trade Project
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 10 May 2004
Registration number	300025177
Head Office address	Donelaičio str. 60, LT-44248 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 352
E-mail address	<a href="mailto:ub@ub.lt">ub@ub.lt</a> ; <a href="mailto:o.bankauskiene@ub.lt">o.bankauskiene@ub.lt</a>
Website	<a href="http://www.ub.lt">www.ub.lt</a>

#### Contact details of UAB Turto Valdymo Paslaugos:

Name of the Subsidiary	UAB Turto Valdymo Paslaugos
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 12 May 2010
Registration number	302508445
Head Office address	Donelaičio str. 60, LT-44248 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 362
E-mail address	<a href="mailto:ub@ub.lt">ub@ub.lt</a> ; <a href="mailto:e.sankuniene@ub.lt">e.sankuniene@ub.lt</a>
Website	<a href="http://www.ub.lt">www.ub.lt</a>

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### Contact details of UAB Eastern Europe Development Fund:

Name of the Subsidiary	UAB Eastern Europe Development Fund
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 21 November 2007
Registration number	301278660
Head Office address	Laisvės av. 80 / Maironio str. 26, LT- 44249 Kaunas, Republic of Lithuania
Telephone number	+370 37 395 524
E-mail address	<a href="mailto:ub@ub.lt">ub@ub.lt</a> , <a href="mailto:r.valanciauskas@ubrkv.lt">r.valanciauskas@ubrkv.lt</a>
Website	<a href="http://www.ub.lt">www.ub.lt</a>

### Contact details of UAB Sporto Klubų Investicijos

Name of the Subsidiary	UAB Sporto Klubų Investicijos
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 14 December 2011
Registration number	302698592
Head Office address	Laisvės av. 80 / Maironio str. 26, LT- 44249 Kaunas, Republic of Lithuania
Telephone number	+370 37 395 550
E-mail address	<a href="mailto:info@ubrkv.lt">info@ubrkv.lt</a>
Website	<a href="http://www.ubrkv.lt">www.ubrkv.lt</a>

### MAIN ACTIVITIES OF THE GROUP

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

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

### AGREEMENTS WITH MARKET INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

<u>Intermediary</u>	<u>Address</u>	<u>Nature of the agreement</u>
AB DnB NORD Bankas	J.Basanavičiaus str. 26, Vilnius, Lithuania	Agreement on financial instruments account handling and execution of orders
AB Swedbank	Konstitucijos ave. 20A, 03502 Vilnius, Lithuania	Securities account handling and intermediation agreement
AS Swedbank	Liivalaia 8, Tallinn, Estonia	Securities account handling and intermediation agreement
AS Swedbank	Balasta dambis 1 a, Riga, Latvia	Securities account handling and intermediation agreement
AB SEB bankas	Gedimino ave. 12, Vilnius, Lithuania	Securities account handling agreement
AB Citadele bankas	K.Kalinausko str. 13, 03107 Vilnius, Lithuania	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders
UAB FMĪ Finbaltus	Konstitucijos ave. 23 C, 660, 08105 Vilnius, Lithuania	Securities accounts servicing agreement
AB FMĪ Finasta	Maironio str. 11, 01124 Vilnius, Lithuania	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders
Nova Banka A. D. Bijeljina	Knjaza Miloša 15, 78000 Banja Luka, Srpska Republika	Brokerage service agreement
Balkan Investment Bank AD, Banja Luka Balkan Investment Broker, Banja Luka	Aleja Svetog Save 61, Banja Luka, Srpska Republika, Bosnia and Herzegovina	Brokerage service agreement

(continued)

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## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

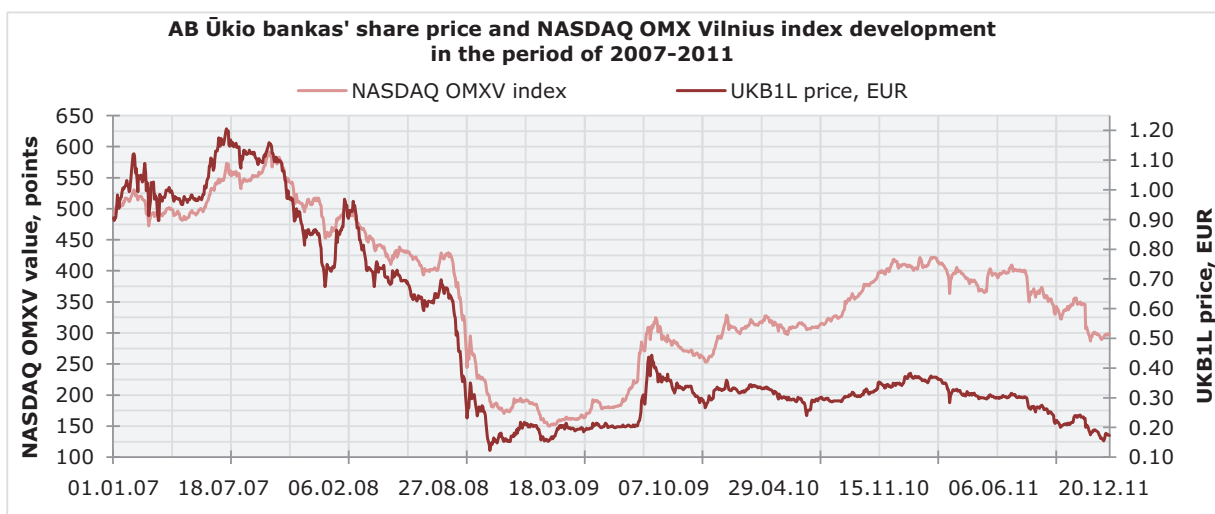
<u>Intermediary</u>	<u>Address</u>	<u>Nature of the agreement</u>
Troika Dialog (Bermuda) Limited	Chancery Hall 52 Reid Street, Hamilton HM 12 Bermuda	Intermediation and brokerage service agreement
Deutsche Bank AG London	Winchester House, 1 Great Winchester Street, London EC2N 2DB, UK	Securities custody agreement
Deutsche Bank AG Amsterdam Branch	Herengracht 450-454 NL-1017 CA Amsterdam, The Netherlands	Securities custody agreement
ОАО Банк ЗЕНИТ	9, Banny pereulok, Moscow 129110, Russia	Agreement on the performance of operations on the securities market
Erste Bank Befektetesi Rt.	Madach Imre u. 13-15, 1075 Budapest, Hungary	Intermediation agreement
Erste Bank Hungary Ltd.	24-26 Nefurdo u., Budapest, Hungary	Securities custody agreement
SG Private Banking (Suisse) S.A.	Rue de la Corraterie 6, Case postale 5022, 1211 Geneve 11, Switzerland	Agreement on securities custody and brokerage service
Credit Suisse	Paradeplatz 8, 8001 Zurich, Switzerland	Agreement on securities custody and brokerage service
Interactive brokers	Gotthardstrasse 3, 6301 Zug, Switzerland	Brokerage service agreement
ASD Financial Services Corp.	25 SE Second Avenue, Suite 606 Miami, Florida 33131 USA	Intermediation agreement
Hauck & Aufhaeuser Privatbankiers KGaA	Kaiserstrasse 24 60311 Frankfurt am Main Germany	Securities custody agreement

(Concluded)

### TRADING IN THE BANK'S SECURITIES ON STOCK EXCHANGES

AB Ūkio Bankas ordinary registered shares (name: UKB1L) are traded on NASDAQ OMX Vilnius Stock Exchange (VSE) ([www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)) Official List. As of 31 December 2011 295,824,000 (two hundred ninety five million eight hundred twenty four thousand) ordinary registered shares were quoted on the NASDAQ OMX Vilnius Stock Exchange.

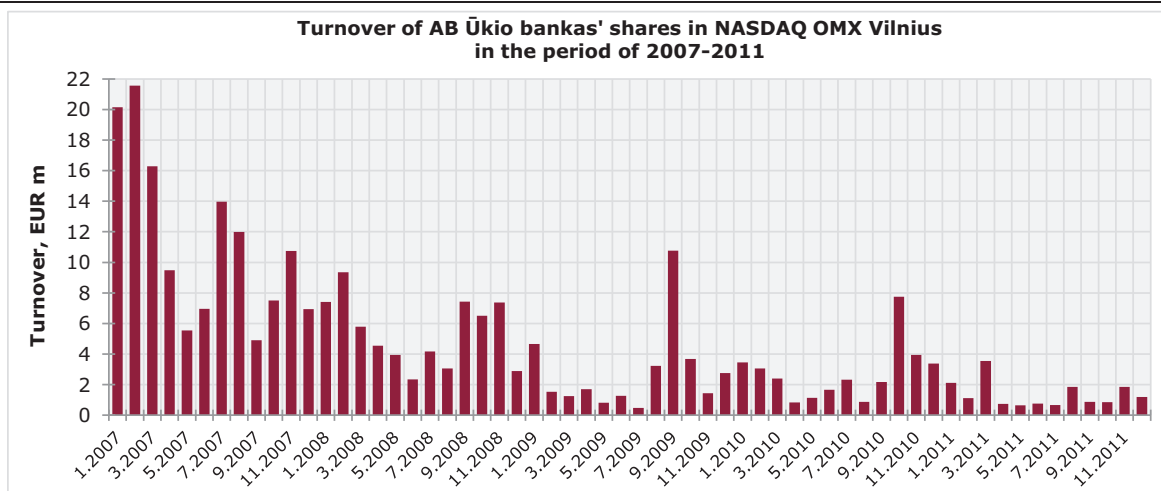
### AB ŪKIO BANKAS SHARE PRICE PERFORMANCE AND TURNOVER FOR THE REPORTING PERIOD





# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011



AB Ūkio bankas' shares trading history (in EUR unless otherwise stated):

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Open</b>	0.383	0.295	0.214	1.072	1.132
<b>High</b>	0.385	0.39	0.478	1.254	1.512
<b>Low</b>	0.151	0.238	0.183	0.151	1.014
<b>Average</b>	0.271	0.322	0.287	0.543	1.227
<b>Last</b>	0.173	0.38	0.307	0.214	1.072
<b>Traded volume</b>	59,796,081	102,464,222	116,809,194	119,276,768	110,849,661
<b>Turnover, million</b>	16.2	32.97	33.56	64.81	136.04
<b>Capitalisation, million</b>	51.18	112.41	75.47	42.16	210.79

### AUTHORIZED CAPITAL AND ITS STRUCTURE

As of 31 December 2011 the authorized capital of the Bank amounted to LTL'000 345,824 (three hundred forty five million eight hundred twenty four thousand) and it was divided into 345,824,000 (three hundred forty five million eight hundred twenty four thousand) ordinary registered shares. The nominal value is LTL 1 (one) per share.

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

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

Shareholders have property and non-property rights.

The shareholders of AB Ūkio Bankas have the following property rights:

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

The shareholders of AB Ūkio Bankas have the following non-property rights:

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

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

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

### RESTRICTIONS ON SECURITIES TRANSFER

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

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

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

### SHAREHOLDERS

As of 31 December 2011 the Bank had 10,745 shareholders, who were holding 345,824,000 shares. The nominal value of each AB Ūkio Bankas ordinary registered share is LTL 1.

Over 5% of the registered authorized capital\* of the Bank was owned by the following shareholders (31 December 2011):

<b>Shareholder's corporate name/ full name</b>	<b>Legal shareholder's code</b>	<b>Legal address</b>	<b>Shares held under the property right, number/ percentage of authorized capital, %</b>	<b>Votes held under the property right, number/ percentage of votes, %</b>	<b>Votes held in concert with other persons, number/ percentage of votes, %</b>
Romanov Vladimir	-	-	183,635,060/ 53.1007%	183,635,060/ 53.1007%	183,635,060/ 53.1007%
UAB FIRST Partneriai	301145610	Donelaičio str. 60, Kaunas, Lithuania	32,757,474/ 9.4723%	32,757,474/ 9.4723%	32,757,474/ 9.4723%
UAB Universal Business Investment Group Management	210869960	Donelaičio str. 60, Kaunas, Lithuania	24,557,256/ 7.1011%	24,557,256/ 7.1011%	24,557,256/ 7.1011%
Other			104,874,210/ 30.3259%	104,874,210/ 30.3259%	104,874,210/ 30.3259%
<b>TOTAL:</b>			<b>345,824,000/ 100.00%</b>	<b>345,824,000/ 100.00%</b>	<b>345,824,000/ 100.00%</b>

\* On 30 December 2011 the amendments of Articles of Association of AB Ūkio bankas regarding the increase of Bank's authorized capital were registered at the Register of legal entities. After increase the Bank's authorized share capital amounted to LTL 345,824,000. On 6 January 2012 Central Securities Depository of Lithuania effected amendments in

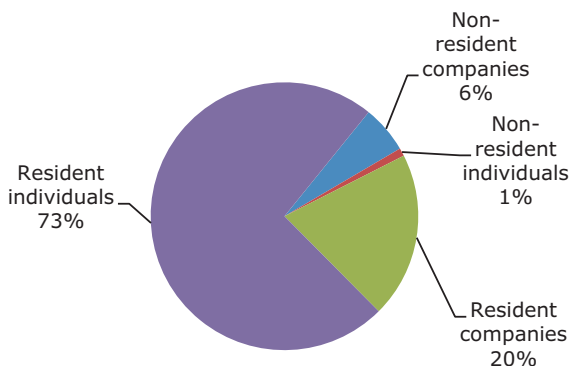
## AB ŪKIO BANKAS

### ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

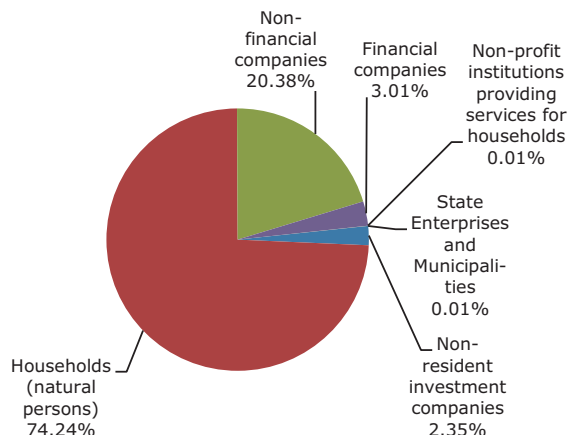
the AB Ūkio bankas securities issue registration account in accordance with the adding of the new LTL 50,000,000 share issue to the share issue of the LTL 295,824,000 valid until then.

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

**Distribution of AB Ūkio bankas shareholders by a country of residence and legal form on 31 December 2011**



**Distribution of AB Ūkio bankas shareholders by legal form on 31 December 2011:**



### DIVIDEND PAYMENT POLICY

The dividend is a share of profit allocated to the shareholder in proportion to the nominal value of shares owned by him.

Persons who were shareholders of the Bank at the end of the record day of rights when the General Meeting of the Shareholders declared the dividends or were entitled to receive dividends on other legal grounds shall be entitled to the dividends. According to the Law on Joint Stock Companies of the Republic of Lithuania, the record day of the rights of the General Meeting of the Shareholders shall be understood as the end of the tenth working day after the General Meeting of the Shareholders that adopted the respective decision. The right to dividends emerges from the date of registration of the Articles of Association with the Register of Legal Persons. The shareholder shall have the right to claim the payment of dividend as the creditor of the Bank. The Bank shall have the right to recover the dividend paid out to the shareholder if the shareholder knew or should have known that the dividend was allocated and/or paid unlawfully.

The General Meeting of the Shareholders may adopt a resolution to allot part of the result to be distributed for payment of dividends or other shares of profit and for other purposes, provided the following conditions are satisfied:

- The uncovered loss of the previous fiscal year is brought forward to the beginning of the fiscal year;
- Obligatory appropriations to the legal reserve or the reserve capital and the reserve of stocks as specified in the laws of the Republic of Lithuania are made;
- Appropriations to the reserves specified in the Articles of the Bank are made;
- After paying the dividends and using part of the profit for other purposes, the capital of the Bank corresponds to the requirements of laws and other legal acts.

The General Meeting of the Shareholders may not adopt the decision to declare and pay dividends if at least one of the following conditions is met:

- The Bank is insolvent or would become insolvent after the payment of dividends;
- The result of the financial year available for appropriation is negative (losses were incurred);
- The equity capital of the Bank is lower or after the payment of dividends would become lower than the aggregate amount of the statutory capital of the Bank, the legal reserve, the revaluation reserve and the reserve for own shares of a public limited liability company.

The Bank must pay the allocated dividends within 1 month after the day of adoption of the decision on profit appropriation. Payment of dividends in advance shall be prohibited. The Bank shall pay the dividends in cash when the shareholder so requests from the Bank.

All the Bank's shareholders have equal rights to the dividend allocated to them irrespective of the country of their residence.

The amount or payment of dividends is not set by any obligations or agreements. The decision on the payment thereof shall be adopted by the General Meeting of the Shareholders when appropriating the profit of the previous year. The dividends shall be paid out once a year. The amount of dividends shall be calculated for each share according to the decision adopted by the shareholders meeting.

The holders of the newly issued shares shall have the same rights to the dividends as those of the already issued shares.

## AB ŪKIO BANKAS

### ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The history of Ūkio bankas dividend payment in the period of 2006–2011:

	<u>Amount of calculated (paid) dividends, LTL</u>	<u>Amount of dividend per share, LTL</u>
<b>2011</b>	-	-
<b>2010</b>	-	-
<b>2009</b>	-	-
<b>2008</b>	3,934,160.00	0.02
<b>2007</b>	1,767,080.00	0.01
<b>2006</b>	<u>1,267,080.00</u>	<u>0.01</u>

#### EMPLOYEES OF THE BANK

During 2011, the average number of AB Ūkio Bankas employees was 651. 79% of them had the university education, 13% had college education and 8% had secondary education.

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

	<u>Average number of employees *</u>			<u>Average monthly salary (before taxes, in LTL)</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Managing employees	130	120	123	6,756	6,292	6,208
Specialists	486	463	465	2,945	2,843	3,030
Other employees	35	36	38	2,811	2,809	2,756
<b>Total</b>	<b><u>651</u></b>	<b><u>619</u></b>	<b><u>626</u></b>	<b><u>3,699</u></b>	<b><u>3,537</u></b>	<b><u>3,638</u></b>

\* average number of employees does not include employees on parental leave

The staff policy of AB Ūkio Bankas is oriented to long-term employment relations. 23% of the staff has worked with the Bank for over 10 years. Conditions are created for the employees to advance their skills, raise qualification, study, be career-oriented and realize their best abilities.

There are no collective agreements signed in AB Ūkio Bankas.

#### RULES GOVERNING THE CHANGE OF ARTICLES OF ASSOCIATION OF THE BANK

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

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

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

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

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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### BODIES OF THE BANK, THEIR ACTIVITIES AND AUTHORITY

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

#### The General Meeting of the Shareholders

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

- to change premises of the Bank;
- to elect the members of the Supervisory Council of the Bank;
- to revoke Supervisory Council of the Bank or its members;
- to elect and to revoke the auditing company, to define the conditions of payment for the auditing services;
- to approve the set of annual financial statements;
- to adopt a resolution for the Bank to acquire its own shares;
- to elect and to revoke the Liquidator of the Bank, excluding cases of exceptions specified in the Law of the Republic of Lithuania on Joint-Stock Companies;
- to adopt a resolution to cancel the priority right of all shareholders to obtain shares of a concrete emission or convertible securities of a concrete emission.

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

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

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

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

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

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

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

#### The Supervisory Council of the Bank

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

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

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

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

The Supervisory Council of the Bank:

- approves plans of the Bank activities;
- approves rules, functions, regulation of formation and activity of The Remuneration Committee;
- determines regulations for lending which can only be executed with the approval of the Supervisory Council of the Bank;
- ensures that the Bank has an effective internal control system;
- elects members of the Board of the Bank and recalls them from office. If the Bank experiences losses in its work, the Supervisory Council of the Bank has to consider whether the members of the Board of the Bank are suitable for the office;
- supervises the activities of the Head of the Board and the Heads of Administration of the Bank and fixes the range of the salaries for the members of the Board of the Bank who hold a position in the Bank and Heads of Administration of the Bank;
- presents to the General Meeting of Shareholders suggestions and comments regarding Bank activity strategies, set of annual financial statements, profit (loss) distribution project and report on the Bank activities as well as on the activities of the Head of the Board and the Head of Administration of the Bank;
- submits suggestions to the Board and the Head of Administration of the Bank to revoke their resolutions that contradict laws and other legal acts, the Articles of the Bank or resolutions adopted by the General Meeting of Shareholders;
- forms the Internal Audit Committee, approves of its Articles and controls its activities;
- considers and solves issues that must be considered or solved by the Supervisory Council of the Bank according to the laws on banks and other laws of the Republic of Lithuania or the Articles of the Bank, and other issues of supervision of activities of the Bank and its managerial bodies assigned to the competence of the Supervisory Council of the Bank by the resolutions of the General Meeting of Shareholders.

### **The Board of the Bank**

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

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

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

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

The Board of the Bank:

1. elects (appoints) and recalls the Head and the Deputy Heads of Administration of the Bank;
2. considers and approves:
  - 2.1. the strategy of Bank activity;
  - 2.2. Bank's annual statement;
  - 2.3. Bank management structure and positions of employees;
  - 2.4. positions to which employees are admitted by a competition procedure;
  - 2.5. regulations for branches, representation offices and structural sub-divisions of the Bank;
3. determines the salaries, other provisions of the employment agreements of the Heads of Administration of the Bank, approves the regulations for their positions held, motivates them, administers penalties;
4. determines information that is considered a secret and confidential of the Bank; information that has to be public according to the Law of the Republic of Lithuania on Joint-Stock Companies and other laws may not be considered a secret of the Bank;
5. determines areas of activities of the members of the Board of the Bank;
6. approves the manner for payment for work and payment of bonuses for the employees, fixes the range of their salaries;



# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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7. approves the functions and procedure for the formation and activities of the Bank's Credit Committee and the Risk Management Committee, approves the regulations of these Committees;
8. approves the categories of residents' deposits and conditions of keeping them;
9. adopts resolutions regarding the improvement of working, domestic, social, recreation conditions of the employees of the Bank;
10. adopts resolutions regarding granting and taking of loans within the competence assigned to it;
11. adopts resolutions regarding writing off detrimental loans and determines the procedure of writing loans off;
12. manages, uses and operates the property taken over for loans;
13. appoints persons for representation in companies in which the Bank has shares;
14. adopts resolutions regarding emission of the Bank's debenture bonds and the regulations for their circulation;
15. determines the crediting policy of the Bank;
16. founds departments for serving the clients, approves their regulations and terminates their activities;
17. ensures that the rights, obligations and accountability of each structural sub-division of the Bank are clearly defined, and ensures that the obligations assigned are appropriately fulfilled;
18. develops procedures that would help to establish, measure, assess and monitor the risk of the Bank's activities;
19. determines the Bank's policy of internal control and watches whether the internal control system is appropriate and efficient;
20. determines the prices and tariffs of the services of the Bank;
21. is responsible for developing a system enabling to determine, measure, assess and monitor the risk of the Bank's activity. The Board of the Bank must periodically revise and assess the system and inform Supervisory Council of the Bank about it;
22. the Board analyzes and evaluates the material submitted by the Head of Administration of the Bank on:
  - 22.1. implementation of the strategy of the Bank's activities;
  - 22.2. organization of the Bank's activities;
  - 22.3. the financial condition of the Bank;
  - 22.4. the results of economic activities, estimates of income and expenses, data of inventory taking and other data of accounts on changes in the property;
23. adopts resolutions for the Bank to become a founder of, participant in other legal entities;
24. adopts resolutions to found branches of the Bank and representation offices and to terminate their activities, and appoints and recalls their managers;
25. adopts resolutions regarding investment, transfer, rent of long-term property the balance value of which is higher than 1/20 of the authorized capital of the Bank (to be calculated separately for each type of transaction);
26. adopts resolutions regarding mortgage and hypothec of long-term property the balance value of which is higher than 1/20 of the authorized capital of the Bank (the total amount of transactions is calculated);
27. adopts resolutions regarding vouching or guarantee for liabilities of other persons the amount of which is higher than 1/20 of the authorized capital of the Bank;
28. adopts resolutions to obtain long-term property at a cost that is higher than that of 1/20 of the authorized capital of the Bank;
29. analyzes, assesses the set of annual financial statements of the Bank and the profit (loss) distribution project and submits them to the Supervisory Council of the Bank and the General Meeting of Shareholders. The Board of the Bank determines the methods of calculation of tangible property depreciation and intangible property amortization;
30. considers or solves other issues that must be considered or solved by the Board of the Bank according to the laws of the Republic of Lithuania on banks and other laws or the Articles of the Bank, resolutions of the General Meeting of Shareholders;
31. solves other issues of the Bank's activities that are not assigned to the competence of other bodies of the Bank according to the laws or other legal acts of the Republic of Lithuania.

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

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

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

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

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

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

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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### Head of Bank Administration (CEO)

There is a Head and not fewer than one Deputy Head of Administration in the Bank (hereunder referred to as Heads of Bank Administration).

The Chairman of the Board of the Bank must be the Head or the Deputy Head of Administration.  
The Head of Bank Administration is an individual body of Bank management.

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

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

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

The Head of Bank Administration:

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

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

The Head of Bank Administration is responsible for:

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

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



# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

### INFORMATION ABOUT MEMBERS OF COLLEGIAL BODIES, CEO, CHIEF ACCOUNTANT

Members of AB Ūkio Bankas collegial bodies, CEO's, Chief Accountant, commencement and end of their office term and participation in the authorized capital as of 31 December 2011 are presented in the table below:

Full name	Position	Number of shares held	Percentage of Bank capital, %	Percentage of votes, %
<b>SUPERVISORY COUNCIL OF THE BANK</b>				
<b>Karpavičienė Edita,</b> (elected 26 March 2010, office term expires in 2014)	Chairwoman	231,948	0.0671	0.0671
<b>Kurauskienė Ala,</b> (elected 26 March 2010, office term expires in 2014)	Deputy Chairwoman	474,606	0.1372	0.1372
<b>Gončaruk Olga,</b> (elected 26 March 2010, office term expires in 2014)	Member	8,460,823	2.4466	2.4466
<b>Jakavičienė Gražina,</b> (elected 26 March 2010, office term expires in 2014)	Member	12,411	0.0036	0.0036
<b>Soldatenko Viktor,</b> (elected 26 March 2010, office term expires in 2014)	Member	3,910	0.0011	0.0011
<b>BOARD OF THE BANK</b>				
<b>Ugianskis Gintaras,</b> (appointed 26 March 2010, office term expires in 2014)	Chairman, Chief Executive Officer	114,439	0.0331	0.0331
<b>Balandis Rolandas,</b> (appointed 26 March 2010, office term expires in 2014)	Deputy Chairman, Head of Financial Markets Division	87,730	0.0254	0.0254
<b>Žalys Arnas,</b> (appointed 26 March 2010, office term expires in 2014)	Deputy Chairman, Head of Finance Division	52,125	0.0151	0.0151
<b>CEO's</b>				
<b>Ugianskis Gintaras,</b> (since 11 October 2004 to present)	Chief Executive Officer	114,439	0.0331	0.0331
<b>Valdšteinas Saulius,</b> (since 21 April 2009 to present)	Deputy Chief Executive Officer, Head of IT Division	0	0.0000	0.0000
<b>CHIEF ACCOUNTANT</b>				
<b>Petraitiienė Vidutė,</b> (since 1 July 1999 to present)	Head of Accounting Department – Chief Accountant	629	0.0002	0.0002

Amounts of funds in total and average amounts per members of the collegial bodies, CEO and Chief Accountant calculated by the Bank during 2011 are presented in the table below:

	Supervisory Council of the Bank	Board of the Bank	CEO	Chief Accountant
<b>Total amounts, LTL</b>	957,515	1,249,643	527,508	156,450
<b>Average amounts, LTL</b>	478,758	416,548	-	-

There were no guarantees or warranties issued in 2011 regarding the fulfillment of liabilities of collegial bodies' members, CEO or Chief Accountant.

There were no special benefits granted for members of the collegial bodies, CEO and Chief Accountant in 2011.

## AB ŪKIO BANKAS

### ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

Information on participation of members of AB Ūkio bankas collegial bodies, CEO's and Chief Accountant in activity and capital of other companies/organizations as of 31 December 2011 are presented in the table below:

Full name	Participation in the activity of other companies/organizations (name of the company/organization, position)	Participation in the capital of other companies (name of the company, percentage in the capital over 5 %)
<b>SUPERVISORY COUNCIL OF THE BANK</b>		
<b>Karpavičienė Edita,</b> Chairwoman	Member of presidium in Business employers' confederation of Lithuania; Member of the Board in The American Chamber of Commerce in Lithuania; Member of the Council in Vilnius Gediminas Technical University; Chairwoman of the Board in Birutė Galdikas foundation; Member of the Baltic Institute of Corporate Governance Nomination Committee; Member of Baltic Institute of Corporate Governance; Member of the Council in Jonas Mekas Visual Arts Center.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>Kurauskienė Ala,</b> Deputy Chairwoman	Adviser of director in GD UAB Bonum publicum.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>Gončaruk Olga,</b> Member	Consultant in UAB Ūkio banko lizingas.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>Jakavičienė Gražina,</b> Member	G. ir V. Jakavičiai Law firm, lawyer; Lithuanian Council of Lawyers, lawyer.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>Soldatenko Viktor,</b> Member	Consultant in UAB Ūkio banko lizingas; Consultant in Balkan Investment Bank AD Banja Luka representative office in Kaunas.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>BOARD OF THE BANK</b>		
<b>Ugianskis Gintaras,</b> Chairman, Chief Executive Officer	Chairman of the Board in UAB Ūkio banko lizingas; Member of the Board in GD UAB Bonum publicum; Member of the Board in Birutė Galdikas foundation.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>Balandis Rolandas,</b> Deputy Chairman, Head of Financial Markets Division	Member of Baltic Institute of Corporate Governance;	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>Žalys Arnas,</b> Deputy Chairman, Head of Finance Division	Member of the Board in UAB Ūkio banko lizingas.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>CEO's</b>		
<b>Ugianskis Gintaras,</b> Chief Executive Officer	Chairman of the Board in UAB Ūkio banko lizingas; Member of the Board in GD UAB Bonum publicum; Member of the Board in Birutė Galdikas foundation.	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>Valdšteinas Saulius,</b> Deputy Chief Executive Officer, Head of IT Division	None	Doesn't hold shares which constitute more than 5% of company's capital and votes.
<b>CHIEF ACCOUNTANT</b>		
<b>Petraitiienė Vidutė,</b> Head of Accounting Department – Chief Accountant	None	Doesn't hold shares which constitute more than 5% of company's capital and votes.

# **AB ŪKIO BANKAS**

## **ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **COMMITTEES OF THE BANK**

The Credit Committee, the Internal Audit Committee, the Risk Management Committee and the Remuneration Committee operate in the Bank continuously. The functions, manner for formation and activities are determined by legal acts of the supervising institution and their regulations approved of by the Board of the Bank or the Supervisory Council of the Bank.

The Credit Committee is a body formed by the resolution of the Board of the Bank which analyzes documents of applications for loans, assesses the risk of loan, submits suggestions to the Supervisory Council of the Bank and the Board of the Bank regarding granting of loans, loan interest rate, improvement of loan administration procedures and fulfils other functions indicated in its regulations. During 2011 the Credit Committee held 58 meetings.

The Internal Audit Committee is a body formed by the resolution of the Supervisory Council of the Bank which analyzes how the internal control system of the Bank is functioning and takes action to make this system effective. The activity of the Internal Audit Committee is controlled by the Supervisory Council of the Bank. During 2011 the Internal Audit Committee held 6 meetings.

The Risk Management Committee is a body formed by the resolution of the Board of the Bank which analyzes the risk that might exert negative influence in attempting to achieve the goals of the Bank, assesses all types of risk the Bank or the whole group of the Bank faces, takes action to identify, assess, monitor the risk and to develop a system of control. During 2011 the Risk Management Committee held 24 meetings.

The Remuneration Committee is a body formed by the resolution of the Supervisory Council of the Bank which competently and independently assesses policy of variable remuneration, practice and incentives created with the aim to manage the risk, capital and liquidity undertaken by the Bank, directly supervises risk management and compliance control, variable wages of managing employees in charge and prepares drafts of decisions regarding variable wages (including decisions having influence to the risk undertaken by the Bank and its management) taken by the Supervisory Council of the Bank. During 2011 the Remuneration Committee held 3 meetings.

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

### INFORMATION ABOUT MEMBERS OF COMMITTEES OF THE BANK

Members of the committees of AB Ūkio Bankas, commencement and end of their office term and participation in the authorized capital as of 31 December 2011 are presented in the table below:

Full name	Position	Main workplace	Number of shares held	Percentage of Bank capital, %	Percentage of votes, %
<b>MEMBERS OF CREDIT COMMITTEE</b>					
<b>Gintaras Ugianskis</b> (appointed 21 October 2010, permanent)	Chairman	AB Ūkio bankas	114,439	0.0331	0.0331
<b>Vytas Večerinskas</b> (appointed 21 October 2010, permanent)	Member	Advokato V. Večerinsko kontora	16	0.0000	0.0000
<b>Justas Babarskas</b> (appointed 21 October 2010, permanent)	Member	AB Ūkio bankas	1,000	0.0003	0.0003
<b>Laura Ivaškevičiūtė</b> (appointed 21 October 2010, permanent)	Member	AB Ūkio bankas	4,110	0.0012	0.0012
<b>Raimundas Keršys</b> (appointed 21 October 2010, permanent)	Member	AB Ūkio bankas	1,866	0.0005	0.0005
<b>Mindaugas Pašvenskas</b> (appointed 21 October 2010, permanent)	Member	AB Ūkio bankas	0	0.0000	0.0000
<b>MEMBERS OF INTERNAL AUDIT COMMITTEE</b>					
<b>Olga Gončaruk</b> (appointed 26 March 2010, permanent)	Chairwoman	UAB Ūkio Banko Lizingas	8,460,823	2.4466	2.4466
<b>Saulius Valdšteinas</b> (appointed 26 March 2010, permanent)	Member	AB Ūkio bankas	0	0.0000	0.0000
<b>Ona Armalienė</b> (appointed 26 March 2010, permanent)	Member	UAB O.Armalienė ir partneriai	0	0.0000	0.0000
<b>MEMBERS OF RISK MANAGEMENT COMMITTEE</b>					
<b>Rolandas Balandis</b> (appointed 1 October 2008, permanent)	Chairman	AB Ūkio bankas	87,730	0.0254	0.0254
<b>Arnas Žalys</b> (appointed 1 October 2008, permanent)	Member	AB Ūkio bankas	52,125	0.0151	0.0151
<b>Raimundas Keršys</b> (appointed 1 October 2008, permanent)	Member	AB Ūkio bankas	1,866	0.0005	0.0005
<b>Valdas Bartkus</b> (appointed 1 October 2008, permanent)	Member	AB Ūkio bankas	80	0.0000	0.0000
<b>Antanas Suraučius</b> (appointed 1 October 2008, permanent)	Member	AB Ūkio bankas	0	0.0000	0.0000
<b>MEMBERS OF REMUNERATION COMMITTEE</b>					
<b>Justas Babarskas</b> (appointed 20 January 2011, permanent)	Chairman	AB Ūkio bankas	1,000	0.0003	0.0003
<b>Rasa Kriščiūnienė</b> (appointed 20 January 2011, permanent)	Member	AB Ūkio bankas	1,830	0.0005	0.0005
<b>Vygantas Maulė</b> (appointed 20 January 2011, permanent)	Member	AB Ūkio bankas	0	0.0000	0.0000
<b>Odeta Bankauskienė</b> (appointed 20 January 2011, permanent)	Member	AB Ūkio bankas	0	0.0000	0.0000
<b>Algimantas Gaulia</b> (appointed 20 January 2011, permanent)	Member	AB Ūkio bankas	0	0.0000	0.0000

# **AB ŪKIO BANKAS**

## **ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **INFORMATION ABOUT AGREEMENTS OF WHICH THE BANK IS A PART**

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

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

### **RELATED PARTIES TRANSACTIONS**

The information on related parties transactions for the year ended 31 December 2011 is presented in Note 40 to the financial statements.

### **INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Information on compliance with the corporate governance code is provided in the annex to annual report (pages 117 to 140).

### **INFORMATION ON SUPPORTING THE PRINCIPLES OF ENVIRONMENT PROTECTION**

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

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

The Bank's internal rules provide for employee obligation to protect environment, sustain natural resources, and not to violate environment quality norms and standards. The Bank aims to reduce the potential negative environmental impact within the range of everyday activities. Office equipment is purchased from reliable suppliers and manufacturers holding all quality certificates. Night-time heat-saving systems are installed in all premises used by the Bank and other energy-saving opportunities are considered.

At the beginning of 2011 AB Ūkio bankas launched environmental initiative "Ekolaboratorija". It is an eco-art project whose aim is to draw employees' attention to cost saving opportunities in the Bank, as well as to encourage consumption reduction, recycling and waste sorting. Implementing this initiative together with Public Company Studio 302 AB Ūkio bankas seeks to change employees' attitude to the use of company's resources and promotes a creative look at the resource recycling. Implementing this project at different Bank's subdivisions, costs of energy and paper will be monitored and suggestions on how to save these resources will be provided. In addition, used raw materials in the Bank will be recycled producing original gifts to employees and clients, and will be used for various stationary tools, decorations and representation gifts. Community will be informed publicly about this creative recycling project and its results.

In November 2011 AB Ūkio Bankas has signed a contract with Joint Stock Company ECO Group which collects most of the bank's paper waste and recycles it. Funds received for releasing paper waste are intended to be used for acquiring Eco-friendly stationery tools. All branches and client service units can contribute to paper recycling by collecting and delivering it to the Head Office, General Affairs Department. Better possibilities of paper waste collection from branches and client service units will be discussed in future. Paper waste will be recycled into stationery tools, gifts, souvenirs etc. Paper recycling will be carried out by a creative rework company.

In November 2011 Bank staff from Vilnius, Kaunas and Klaipėda branches participated in training, during which the opportunities of reduction of using in-house resources were presented. Over 60 Bank employees attended the training and later conveyed the idea of Eco Initiative to their colleagues. All Bank employees learned about the ongoing ECO project and could contribute to the initiative. Stickers have been distributed to employees to remind them about saving resources.

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

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

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

### **INFORMATION ON FINANCIAL AND HEDGING INSTRUMENTS USED BY THE BANK**

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

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

### DESCRIPTION OF MAIN INVESTMENTS MADE DURING THE LAST REPORTING PERIOD

Details on cash flows to investing activities during the year ended 31 December 2011 are presented in the table below:

	<u>The Group</u>	<u>The Bank</u>
<b>Cash flows from (to) investing activities</b>		
Dividends received	109	109
Acquisition of investment securities	(849,185)	(857,772)
Proceeds from redemption or sale of investment securities	952,781	954,822
Acquisition of property, plant and equipment and investment property	(3,944)	(3,433)
Proceeds from sale of property plant and equipment	1,637	1,781
Acquisition of intangible assets	(852)	(791)
<b>Net cash generated from investing activities</b>	<b>100,546</b>	<b>94,716</b>

Details on main investments made during the year ended 31 December 2011 are presented in the following notes to the financial statements:

- Details on investment in and acquisition of subsidiaries are presented in Notes 10-11 to the financial statements;
- Details on Group's/Bank's investment securities portfolio are presented in Note 9 to the financial statements;
- Details on property, plant and equipment and investment property are presented in Note 14 to the financial statements
- Details on intangible assets are presented in Note 13 to the financial statements.

### INFORMATION ON THE BANK'S INTERNAL CONTROL SYSTEM

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

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

Three types of internal control are applied at the Bank:

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

Organization of these three types of control is based on four eye principle, i.e. all executed transactions have to be inspected by another person not related to the direct accounting or execution of the transaction.

Internal control system of the Bank is composed of five interrelated elements: control's environment, risk determination and evaluation, control procedure, information and reporting, observation and evaluation of internal control system.

### INFORMATION ON SIGNIFICANT STAKES MANAGED DIRECTLY OR INDIRECTLY

As of 31 December 2011 AB Ūkio Bankas held following stakes exceeding 20%:

- 100% of UAB Ūkio Banko Lizingas shares;
- 100% of UAB Ūkio Banko Investicijų Valdymas shares;
- 100% of UAB Ūkio Banko Rizikos Kapitalo Valdymas shares;
- 100% of GD UAB Bonum Publicum shares;
- 100% of UAB Investicinio Turto Valdymas shares;
- 100% of RAB Ūkio Bank Lizing (Ukraine) shares (via subsidiary UAB Ūkio Banko Rizikos Kapitalo Valdymas);
- 100% of UAB Trade Project shares;
- 100% of UAB Turto Valdymo Paslaugos shares;
- 100% of UAB Eastern Europe Development Fund shares;
- 100% of UAB Sporto Klubų Investicijos shares (via subsidiary UAB Ūkio Banko Rizikos Kapitalo Valdymas; held for the purpose of sale).

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

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

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

In 2011, the assets of the Group decreased by LTL 684 million (14%) and as of 31 December 2011 amounted to LTL'000 4,326,204. As of 31 December 2011, the Bank's assets amounted to LTL'000 4,220,417 (i.e. decreased by LTL 703 million (14%). AB Ūkio Bankas ranks 6<sup>th</sup> by assets among the banks in Lithuania.

As of 31 December 2011, the Bank had 12 branches and 47 client service departments in Lithuania and 3 representative offices in foreign countries (Ukraine, Russia and Kazakhstan). During the year 2011, 3 new client service departments were opened and 3 were closed. In addition, the Bank, directly and indirectly, has 9 (nine) 100% subsidiaries and 1 (one) 100% subsidiary held for sale.

As of 31 December 2011, the Banking segment includes financial information of AB Ūkio Bankas (main activity – banking services), Finance lease segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ūkio Bank Lizing (main activity – finance lease). Insurance segment includes financial information of GD UAB Bonum Publicum. Other activities segment includes financial information of Group's entities not included in Banking, Finance lease or Insurance segments. Other activities segment includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas, UAB Investicinio Turto Valdymas, UAB Eastern Europe Development Fund, UAB Trade Project, UAB Turto Valdymo Paslaugos and discontinued operations (UAB Sporto Klubu Investicijos).

For the year ended 31 December 2011 the Group's results by business segments are presented in the table below (LTL'000):

	2011					Group
	Banking	Finance lease	Insurance	Other activities	Elimination	
<b>Net profit (loss) for the year from continuing and discontinued operations</b>	<b>(4,558)</b>	<b>4,351</b>	<b>(1,989)</b>	<b>(1,502)</b>	<b>4,798</b>	<b>1,100</b>
Attributable to:						
Equity holders of the parent	(4,558)	4,351	(1,989)	(1,502)	4,798	1,100
Non-controlling interest	-	-	-	-	-	-
Assets	4,220,417	402,315	84,520	575,526	(956,574)	4,326,204
Liabilities	3,768,199	380,999	44,273	371,493	(720,203)	3,844,761

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

Detailed information on main risks as well as on compliance with prudential requirements for the year ended 31 December 2011 is presented in Notes 32-39 to the financial statements.



# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

### ANALYSIS OF FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS

The results of the AB Ūkio Bankas Group activity for the year ended 31 December 2011: net profit of LTL'000 1,100 (in 2010, net loss of LTL'000 33,496). The Bank incurred a net loss of LTL'000 4,558 for the year 2011 (in 2010, net loss of LTL'000 38,014). In 2011, the Group's assets decreased by LTL 684 million (14%) and amounted to LTL 4.3 billion at the year-end. Bank's assets amounted to LTL 4.2 billion – i.e. decreased by LTL 703 million (14%) during the year. The main financial indicators of the Group and the Bank (in LTL thousand unless stated otherwise) are presented in the table below:

Group's indicators				ITEMS	Bank's indicators			
2011	2010	Increase (Decrease)			2011	2010	Increase (Decrease)	
		LTL'000	%			LTL'000	%	
				Operating profit before provisions* and operating expenses				
148,066	121,942	26,124	21		117,316	79,908	37,408	47
131,991	126,657	5,334	4	Operating expenses	107,882	102,296	5,586	5
				Profit (loss) before provisions* and income tax	9,434	(22,388)	31,822	-
16,075	(4,715)	20,790	-	Provision expense*	12,736	21,060	(8,324)	(40)
13,194	32,906	(19,712)	(60)	Pre-tax profit (loss)	(3,302)	(43,448)	40,146	-
2,881	(37,621)	40,502	-	Income tax expense (benefit)	1,256	(5,434)	6,690	-
1,774	(4,125)	5,899	-	Net profit (loss) from continuing operations	(4,558)	(38,014)	33,456	-
1,107	(33,496)	34,603	-	Net (loss) from discontinued operations	-	-	-	-
(7)	-	(7)	-	Net profit (loss) for the year	(4,558)	(38,014)	33,456	-
1,100	(33,496)	34,596	-	Assets	4,220,417	4,923,246	(702,829)	(14)
4,326,204	5,010,703	(684,499)	(14)	Loans and finance lease receivable	2,282,394	2,287,838	(5,444)	(0)
2,624,149	2,616,760	7,389	0	Provisions / Loans, %	7.99	7.74	-	-
7.72	7.68	-	-	Due to customers	3,438,435	3,962,918	(524,483)	(13)
3,437,668	3,953,178	(515,510)	(13)	Equity	452,218	405,030	47,188	12
481,443	428,991	52,452	12	Number of ordinary shares in issue at the end period (thousands units)	345,824	295,824	50,000	17
				Weighted average numbers of ordinary shares in issue (thousands units)	296,098	260,756	35,340	14
296,098	260,756	35,340	14	Return on assets, %	(0.10)	(0.83)	-	-
0.02	(0.72)	-	-	Return on equity, %	(1.06)	(9.51)	-	-
0.24	(7.97)	-	-	Expense / Income before income tax	1.03	1.54	-	-
0.98	1.31	-	-	Basic earnings per share (in LTL)	(0.02)	(0.15)	-	-
0.00	(0.13)	-	-	Diluted earnings per share (in LTL)	(0.02)	(0.15)	-	-
0.00	(0.13)	-	-					

\* Provision expenses consist of Impairment charge + Recoveries of loans written off

\*\* For the Expense / Income before income tax ratio is calculated as the total of Operating expenses and Provision expenses divided by Operating profit before provisions and operating expenses

#### The main indicators of activity:

- In 2011 Ūkio Bankas Group earned a net profit of LTL'000 1,100 (in 2010: net loss of LTL'000 33,496);
- In May 2011 international rating agency Standard&Poor's upgraded short-term counterparty credit rating of Ūkio bankas and changed the outlook of the Bank's ratings from negative to stable;
- In 2011 the Bank opened 3 new client service department and closed 3. At 31 December 2011 the Bank's service network consisted of 59 outlets – 12 branches and 47 client service departments. In addition as of 31 December 2011 the Bank had 3 representative offices in Kiev (Ukraine), Moscow (Russia) and Almaty (Kazakhstan);
- As of 31 December 2011 the Bank had 164 thousand customers. The Bank's wholly owned leasing subsidiary UAB Ūkio Banko Lizingas offers its services through about 3 thousand sales points located throughout entire Lithuania. As of 31 December 2011 UAB Ūkio Banko Lizingas had 148 thousand customers – i.e. 13% increase during 2011;
- In 2011 compared to previous year, the Group's operating profit before operating expenses and provisions increased by 21% and amounted to LTL 148 million. The Group's operating expenses increased by 4% and amounted to LTL 132 million;
- Throughout 2011, the Bank and the Group complied with all the prudential requirements set by the Bank of Lithuania. As of 31 December 2011, the Group's capital adequacy ratio was 14.89% (requirement – not less than 10%), liquidity ratio – 41.48% (requirement – not less than 30%).



# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

### Credit ratings

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

- Long-term counterparty credit rating B (assigned 31 May 2011).
- Short-term counterparty credit rating B (assigned 31 May 2011).

The outlook of ratings is stable.

### Income and expenses

As compared to previous year, the operating profit before provisions and operating expenses of AB Ūkio Bankas Group increased by LTL 26 million or 21% to LTL 148 million. Lower interest expense caused net interest income to increase 3.1 times to LTL 79 million. Decrease in number of banking operations performed by customers caused the reduction of net service fees and commission income by 8% to LTL 45 million. Net result from trading activities decreased by LTL 23 million (61%) and comprised LTL 14 million. Other income decreased by LTL 1 million and amounted to LTL 9 million. Income structure of the Group and the Bank (in LTL thousand) is presented in the table below:

The Group				ITEM	The Bank			
2011	2010	INCREASE (DECREASE)			2011	2010	INCREASE (DECREASE)	
		LTL'000	%			LTL'000	%	
79,238	25,586	53,652	210	Net interest income	55,264	(3,479)	58,743	-
45,053	49,056	(4,003)	(8)	Net service fees and commission income	41,735	44,071	(2,336)	(5)
14,378	37,094	(22,716)	(61)	Net trading income	19,373	32,908	(13,535)	(41)
9,397	10,206	(809)	(8)	Other income	944	6,408	(5,464)	(85)
<b>148,066</b>	<b>121,942</b>	<b>26,124</b>	<b>21</b>	<b>Operating profit before provisions and operating expenses</b>	<b>117,316</b>	<b>79,908</b>	<b>37,408</b>	<b>47</b>

In 2011, operating expenses of AB Ūkio Bankas Group increased by LTL 5 million (4%) to LTL 132 million. 37% of these expenses consisted of staff expenses, which increased by LTL 3 million (7%) to LTL 48 million. Stabilization of country's and global economic situation caused the provision expense to decrease by 60% to LTL 13 million.

### Assets, liabilities and equity

During 2011 the Group's assets decreased by LTL 684 million i.e. 14%, and amounted to LTL 4.33 billion at the year-end. Largest share of the Group's assets – i.e. 61% consisted of loans and finance lease receivables, which amounted to LTL 2.62 billion as of 31 December 2011 – i.e. almost the same as in the beginning of the year. Securities portfolio decreased by LTL 112 million (15%) during the year and amounted to LTL 632 million, i.e. 15% of the Group's assets. Cash, balances in central bank, banks and other credit institutions comprised LTL 0.61 billion i.e. 14% of the Group's assets at the year-end 2011. During the year it decreased by LTL 632 million (51%).

The largest share of the Group's liabilities – i.e. 89% - consisted of due to customers, which decreased by LTL 516 million or 13% during 2011 and amounted to LTL 3.44 billion at the year-end. Debt securities in issue increased by LTL 149 million (4.3 times) during 2011 and amounted to LTL 0.19 billion or 5% of Group's liabilities as of 31 December 2011. Due to banks and other credit institutions decreased by LTL 375 million (95%) during 2011 and amounted to LTL 21 million (1% of Group's liabilities) at the year-end. The Group's equity, mainly impacted by the new share issue of LTL 50 million, increased by LTL 52 million (12%) and amounted to LTL 481 million as of 31 December 2011.

### INFORMATION ON ACQUIRED OR DISPOSED OWN SHARES

As of 31 December 2011 and 2010 the Bank did not have treasury shares. During the year 2011 the Group/the Bank did not acquire or dispose own shares.

### SIGNIFICANT EVENTS THAT HAPPENED AFTER THE END OF FINANCIAL YEAR

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

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

In 2012, the Bank expects to achieve moderate asset growth. The key priorities of the Group's activities for 2012 will be increasing income from the main activities, increasing liquidity reserves and assuring asset quality. The capital adequacy and liquidity ratios of the Group and the Bank are expected to remain at comfortable levels.

### INFORMATION ON HARMFUL TRANSACTIONS CARRIED OUT ON BEHALF OF THE ISSUER

During 2011 the Group/Bank did not engage into harmful transactions that are opposite to the goals of the company, usual market conditions, harm the interests of shareholders or other groups of persons etc.

# AB ŪKIO BANKAS

## ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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### INFORMATION ON PUBLICLY PRESENTED INFORMATION

- 07 January 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 6 January 2011, a resolution was taken to issue fixed rate bond emission in LTL under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 7 October 2010 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emission. To view the Final terms and conditions, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).
- 11 February 2011** Announced that on 10 February 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 1/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 10 January 2011 till 10 February 2011) 138,213 bonds with nominal value of LTL 100 and fixed 4.0 percent annual interest rate were issued. Redemption of bonds on 21 February 2012.
- 24 February 2011** Announced that on 24 February 2011 AB Ūkio bankas according to the provisions specified in Base Prospectus of LTL 200,000,000 Short and Medium Term Bonds Offering Programme and Final Terms and Conditions approved by the Board of the Bank as at 19 January 2010, redeemed "Fixed rate bond issue EUR No 1/2010" (ISIN code – LT1000401307).
- 25 February 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 24 February 2011, a resolution was taken to issue fixed rate bond emission in LTL under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 7 October 2010 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emission. To view the Final terms and conditions, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).
- 28 February 2011** Announced AB Ūkio bankas group preliminary unaudited net loss of year 2010 is LTL 33.5 million (EUR 9.7 million) – i.e. 53 percent less than in 2009, when LTL 70.5 million (EUR 20.4 million) net loss was incurred. AB Ūkio bankas preliminary unaudited net loss of year 2010 is LTL 38.0 million (EUR 11.0 million) – i.e. 49 percent less than in 2009, when LTL 75.0 million (EUR 21.7 million) net loss was incurred.
- 04 March 2011** Convocation of an ordinary General Meeting of AB Ūkio bankas Shareholders announced. The Bank's Board has approved the agenda and draft resolutions of the meeting to be held on 25 March 2011.
- 25 March 2011** Announced the resolutions of AB Ūkio bankas ordinary General Shareholders' Meeting held on 25 March 2011.
- 01 April 2011** Announced that On 31 March 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 2/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 28 February 2011 till 31 March 2011) 175,544 bonds with nominal value of LTL 100 and fixed 4.0 percent annual interest rate were issued. Redemption of bonds on 10 April 2012.
- 14 April 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 13 April 2011, a resolution was taken to issue fixed rate bond emission in LTL under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 7 October 2010 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emission. To view the Final terms and conditions, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).
- 05 May 2011** Announced AB Ūkio bankas group consolidated unaudited net loss for the three months of 2011 is LTL 3.64 million (EUR 1.06 million). AB Ūkio bankas unaudited net loss for the three months of 2011 is LTL 6.03 million (EUR 1.75 million).
- 20 May 2011** Announced that on 19 May 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 3/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 18 April 2011 till 19 May 2011) 207,128 bonds with nominal value of LTL 100 and fixed 4.0 percent annual interest rate were issued. Redemption of bonds on 29 May 2012.

## AB ŪKIO BANKAS

### ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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- 20 May 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 19 May 2011, a resolution was taken to issue fixed rate bond emission in LTL under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 7 October 2010 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emission. To view the Final terms and conditions of the emission, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).
- 31 May 2011** Announced that international rating agency Standard&Poor's Ratings Services as at 31 May 2011 changed ratings assigned to AB Ūkio bankas: long-term counterparty credit rating B, short-term counterparty credit rating B, the outlook of ratings is stable.
- 06 June 2011** Announced that on 6 June 2011 AB Ūkio bankas according to the provisions specified in Base Prospectus of LTL 200 000 000 Short and Medium Term Bonds Offering Programme and Final Terms and Conditions approved by the Board of the Bank as at 22 April 2010, redeemed "Fixed rate bond issue LTL No 2/2010" (ISIN code – LT0000410250) and "Fixed rate bond issue EUR No 3/2010" (ISIN code – LT1000401323).
- 23 June 2011** Announced that on 22 June 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No.4/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 23 May 2011 till 22 June 2011) 430,713 bonds with nominal value of LTL 100 and fixed 4.0 percent annual interest rate were issued. Redemption of bonds on 2 July 2012.
- 23 June 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 23 June 2011, a resolution was taken to issue fixed rate bond emission in LTL under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 7 October 2010 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emission. To view the Final terms and conditions, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).
- 15 July 2011** Announced that by the decision of the Board of the Bank the offering of the new share issue of 50 million shares is to be launched on 18 July 2011. The offering of the new share issue is launched on the basis of the decision of AB Ūkio bankas ordinary general shareholders' meeting held on 25 March 2011 for the purpose of increasing the authorized capital by making additional contributions.  
Price set by the Board of the Bank is 1 (one) litas for one share.  
Shareholders who held the shares of the Bank by the right of ownership on 8 April 2011 (rights accounting day) are proposed to acquire shares of the Bank by exercising the right of pre-emption from 18 July 2011 to 1 August 2011.  
The Share Issue Prospectus and documents incorporated by reference herein are available for review in AB Ūkio bankas Secretariat at Maironio str. 25, LT-44250, Kaunas, at 8.00 – 12.00, 13.00 – 16.00 on workdays, on Bank's website [www.ub.lt](http://www.ub.lt), on Central Storage Facility website [www.crib.lt](http://www.crib.lt) and on NASDAQ OMX Vilnius Stock Exchange website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).  
The stages of offering of the shares shall be as follows:  
Stage I. Offering of the shares to shareholders by the pre-emption right;  
Stage II. Offering of the shares to all willing investors by applications;  
Stage III. Offering of the shares to members of the Board of the Bank and Supervisory Council of the Bank.
- 29 July 2011** Announced that on 28 July 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 5/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 27 June 2011 till 28 July 2011) 161,330 bonds with nominal value of LTL 100 and fixed 4.0 percent annual interest rate were issued. Redemption of bonds on 7 August 2012.
- 3 August 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 2 August 2011, a resolution was taken to issue fixed rate bond emissions in LTL and EUR under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 7 October 2010 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emissions. To view the Final terms and conditions, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).

## AB ŪKIO BANKAS

### ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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- 4 August 2011** Announced AB Ūkio bankas group consolidated unaudited net loss for the six months of 2011 is LTL 0.61 million (EUR 0.18 million). AB Ūkio bankas unaudited net loss for the six months of 2011 is LTL 5.25 million (EUR 1.52 million).
- 5 August 2011** Announced that during the first stage of new share issue offering, when shareholders could acquire shares of the Bank by exercising the right of pre-emption, 28,361,647 shares were disseminated. 21,638,353 shares are remaining after Stage I. The shares will be offered at Stage II, starting at 8 August 2011.
- 23 August 2011** Announced that during the second stage of new share issue offering, when shares were offered by applications to all willing investors, 21,629,353 shares were disseminated. 9,000 shares are remaining after Stage II. These shares will be offered at Stage III, starting at 23 August 2011.
- 26 August 2011** Announced that offering of AB Ūkio bankas new issue of ordinary registered shares of LTL 50 million was completed on 25 August 2011. 50,000,000 units of shares at the par value of LTL 1 were subscribed and paid in full. The funds of LTL 50 million received for offered shares are accumulated in the capital accumulation account. In the short run the application will be submitted to the Bank of Lithuania with a request to allow registering the amended Articles of association of the Bank with the authorized capital increased up to LTL 345,824,000. Subscribed and paid shares will be placed at the investors' disposal after registration, as provided for by the Law, of amendments of the Bank's Articles of association in relation to the increase of the authorized capital, and entering of the shares into the individual securities accounts of the investors.
- 9 September 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 08 September 2011, a resolution was taken to issue fixed rate bond emission in LTL under the "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" approved on 7 October 2010 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emission. To view the Final terms and conditions, approved "Base prospectus of LTL 200,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).
- 9 September 2011** Announced that on 8 September 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 6/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 4 August 2011 till 8 September 2011) 284,311 bonds with nominal value of LTL 100 and fixed 4.5 percent annual interest rate were issued. Redemption of bonds on 18 September 2012.
- 9 September 2011** Announced that on 8 September 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue EUR No. 7/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 4 August 2011 till 8 September 2011) 51,920 bonds with nominal value of EUR 100 and fixed 4.5 percent annual interest rate were issued. Redemption of bonds on 18 September 2012.
- 29 September 2011** Announced that on 29 September 2011 AB Ūkio bankas according to the provisions specified in Base Prospectus of LTL 200,000,000 Short and Medium Term Bonds Offering Programme and Final Terms and Conditions approved by the Board of the Bank as at 19 August 2010, redeemed "Fixed rate bond issue LTL No 4/2010" (ISIN code - LT0000410292) and "Fixed rate bond issue EUR No 5/2010" (ISIN code - LT1000401349).
- 6 October 2011** Announced that on 5 October 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 8/2011 issued under LTL 200,000,000 short and medium term bonds offering program. During distribution period (from 12 September 2011 till 5 October 2011) 272,406 bonds with nominal value of LTL 100 and fixed 4.5 percent annual interest rate were issued. Redemption of bonds on 15 October 2012.
- 14 October 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 13 October 2011, a resolution was taken to issue fixed rate bond emissions in LTL and EUR under the "Base prospectus of LTL 500,000,000 short and medium term bonds offering programme" approved on 13 October 2011 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emissions. To view the Final terms and conditions, approved "Base prospectus of LTL 500,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com).
- 4 November 2011** Announced that AB Ūkio bankas group consolidated unaudited net profit for the nine months of 2011 is LTL 0.13 million (EUR 0.04 million). AB Ūkio bankas unaudited net loss for the nine months of 2011 is LTL 4.96 million (EUR 1.44 million).

## AB ŪKIO BANKAS

### ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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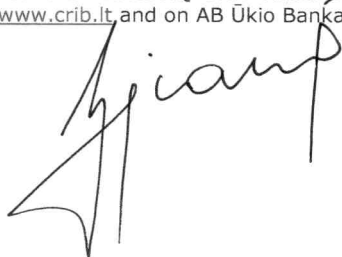
- 10 November 2011** Announced that at the meeting of the Board of AB Ūkio bankas as of 10 November 2011, a resolution was taken to issue fixed rate bond emissions in LTL and EUR under the "Base prospectus of LTL 500,000,000 short and medium term bonds offering programme" approved on 13 October 2011 by the Security Commission of the Republic of Lithuania, and to approve the Final terms and conditions of the emissions. To view the Final terms and conditions, approved "Base prospectus of LTL 500,000,000 short and medium term bonds offering programme" and related documents is possible at the AB Ūkio bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank, the Internet website [www.ub.lt](http://www.ub.lt), Central Storage Facility Internet website [www.crib.lt](http://www.crib.lt) and Nasdaq OMX Vilnius Internet website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)
- 11 November 2011** Announced that on 10 November 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue EUR No. 10/2011 issued under LTL 500,000,000 short and medium term bonds offering program. During distribution period (from 17 October 2011 till 10 November 2011) 19,176 bonds with nominal value of EUR 100 and fixed 4.5 percent annual interest rate were issued. Redemption of bonds on 20 November 2012.
- 11 November 2011** Announced that on 10 November 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 9/2011 issued under LTL 500,000,000 short and medium term bonds offering program. During distribution period (from 17 October 2011 till 10 November 2011) 215,484 bonds with nominal value of LTL 100 and fixed 4.5 percent annual interest rate were issued. Redemption of bonds on 20 November 2012.
- 25 November 2011** Announced that events related to AB Bankas Snoras, which banking license was revoked, will not affect activity results of AB Ūkio bankas.
- 2 December 2011** Announced that on 1 December 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue EUR No. 12/2011 issued under LTL 500,000,000 short and medium term bonds offering program. During distribution period (from 11 November 2011 till 1 December 2011) 1,791 bonds with nominal value of EUR 100 and fixed 4.5 percent annual interest rate were issued. Redemption of bonds on 11 December 2012.
- 2 December 2011** Announced that on 1 December 2011 AB Ūkio bankas finished the issue of Fixed rate bond issue LTL No. 11/2011 issued under LTL 500,000,000 short and medium term bonds offering program. During distribution period (from 11 November 2011 till 1 December 2011) 25,818 bonds with nominal value of LTL 100 and fixed 4.5 percent annual interest rate were issued. Redemption of bonds on 11 December 2012.
- 22 December 2011** Announced that on 22 December 2011 AB Ūkio bankas according to the provisions specified in Base Prospectus of LTL 200,000,000 Short and Medium Term Bonds Offering Programme and Final Terms and Conditions approved by the Board of the Bank as at 10 November 2010, redeemed "Fixed rate bond issue LTL No 6/2010" (ISIN code – LT0000410300) and "Fixed rate bond issue EUR No 7/2010" (ISIN code – LT1000401372).
- 22 December 2011** Announced that on 22 December 2011 the Board of the Bank of Lithuania permitted to register the amendment of the Articles of association of AB Ūkio bankas regarding the increase of Bank's authorized capital up to LTL 345,824,000. The capital is increased according to the resolution of AB Ūkio bankas ordinary general shareholders' meeting held on 25 March 2011 to increase AB Ūkio bankas authorized capital from additional contributions. In the short run the application to register the amended Articles of association of the Bank will be submitted to the Register of legal entities. Subscribed and paid shares will be placed at the investors' disposal after registration of amendments of the Bank's Articles of association in Register of legal entities in relation to the increase of the authorized capital, and after amendments effected by Central Securities Depository of Lithuania in the AB Ūkio bankas securities issue registration account.
- 30 December 2011** Announced that on 30 December 2011 the amendments of Articles of Association of AB Ūkio bankas regarding the increase of Bank's authorized capital were registered at the Register of legal entities. After increase the Bank's authorized share capital amounts to LTL 345,824,000. One share has a nominal value of LTL 1. Subscribed and paid shares will be placed at the investors' disposal after amendments effected by Central Securities Depository of Lithuania in the AB Ūkio bankas securities issue registration account.

All announcements of the Bank required by laws to be announced publicly are published in accordance with the terms and procedure provided in the laws of the Republic of Lithuania and legal acts of the supervising institution. All Bank's material events can be found on NASDAQ OMX Vilnius Stock Exchange website [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com), Central Storage Facility website [www.crib.lt](http://www.crib.lt) and on AB Ūkio Bankas website [www.ub.lt](http://www.ub.lt).

Gintaras Ugianskis  
Chairman of the Board

Kaunas, Lithuania

7 March 2012





## AB ŪKIO BANKAS

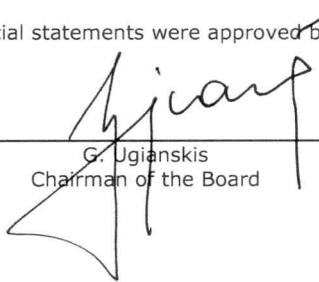
### STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 31.12.2011	The Group 31.12.2010	The Bank 31.12.2011	The Bank 31.12.2010
<b>ASSETS</b>					
Cash and balances with central bank	5	489,622	695,866	489,622	695,864
Loans and advances to banks and other credit institutions	6	121,729	547,693	111,195	535,335
Financial assets at fair value through profit or loss	7	68,873	74,836	24,549	32,067
Loans and finance lease receivable	8	2,624,149	2,616,760	2,282,394	2,287,838
Investment securities:					
<i>available-for-sale</i>	9	18,490	31,197	18,006	30,733
<i>held-to-maturity</i>	9	545,913	639,404	877,347	967,841
Investments in subsidiaries	10,11	-	-	239,164	241,152
Intangible assets	13	20,656	21,578	1,556	1,576
Property, plant and equipment	14	25,803	30,460	24,022	26,893
Investment property	14	236,350	236,468	6,031	6,031
Deferred tax assets	29	17,110	18,070	15,796	16,835
Other assets	15	144,564	98,371	130,735	81,081
Assets classified as held for sale	12	12,945	-	-	-
<b>Total assets</b>		<b>4,326,204</b>	<b>5,010,703</b>	<b>4,220,417</b>	<b>4,923,246</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Due to banks and other credit institutions	16	20,809	396,169	20,809	396,169
Financial liabilities at fair value through profit or loss		3	1,016	3	1,016
Due to customers	17	3,437,668	3,953,178	3,438,435	3,962,918
Debt securities in issue	18	193,511	44,698	194,930	44,698
Subordinated loans	19	93,864	93,956	93,864	93,956
Deferred tax liabilities	29	20,884	21,054	-	-
Other liabilities	20	78,016	71,641	20,158	19,459
Liabilities directly associated with assets classified as held for sale	12	6	-	-	-
<b>Total liabilities</b>		<b>3,844,761</b>	<b>4,581,712</b>	<b>3,768,199</b>	<b>4,518,216</b>
<b>EQUITY</b>					
Share capital	21	345,824	295,824	345,824	295,824
Share premium		76,500	76,500	76,500	76,500
Revaluation reserve - available-for-sale investment securities		(2,881)	(4,617)	(2,890)	(4,636)
Currency translation reserve		(584)	(200)	-	-
Legal reserve		16,991	16,617	15,532	15,532
Other reserves		21,810	61,650	21,810	61,650
Retained earnings (accumulated loss)		23,783	(16,783)	(4,558)	(39,840)
<b>Equity attributable to equity holders of the parent</b>		<b>481,443</b>	<b>428,991</b>	<b>452,218</b>	<b>405,030</b>
Non-controlling interest		-	-	-	-
<b>Total equity</b>		<b>481,443</b>	<b>428,991</b>	<b>452,218</b>	<b>405,030</b>
<b>Total liabilities and equity</b>		<b>4,326,204</b>	<b>5,010,703</b>	<b>4,220,417</b>	<b>4,923,246</b>

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

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugianskis  
Chairman of the Board

  
V. Petraitiene  
Chief Accountant

## AB ŪKIO BANKAS

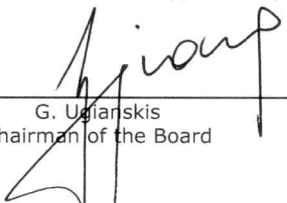
### INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
<b>CONTINUING OPERATIONS</b>					
Interest income	22	202,183	201,371	178,321	172,655
Interest expense	22	(122,945)	(175,785)	(123,057)	(176,134)
<b>Interest income, net</b>		<b>79,238</b>	<b>25,586</b>	<b>55,264</b>	<b>(3,479)</b>
Fees and commission income	23	55,106	59,471	51,420	54,114
Fees and commission expense	23	(10,053)	(10,415)	(9,685)	(10,043)
<b>Fees and commission income, net</b>		<b>45,053</b>	<b>49,056</b>	<b>41,735</b>	<b>44,071</b>
Net gains from dealing in foreign currencies	24	11,371	20,132	11,584	19,834
Net gains (losses) from financial assets at fair value through profit or loss	24	(367)	715	4,410	(3,173)
Net gains arising from investment securities	24	3,374	16,247	3,379	16,247
Impairment charge	33	(15,819)	(34,829)	(12,822)	(21,232)
Recoveries of loans written off		2,625	1,923	86	172
Insurance income, net		8,584	917	-	-
Dividend income		109	60	109	60
Other operating income	25	704	9,229	835	6,348
<b>Operating profit before operating expenses</b>		<b>134,872</b>	<b>89,036</b>	<b>104,580</b>	<b>58,848</b>
<b>Operating expenses</b>	26	(131,991)	(126,657)	(107,882)	(102,296)
<b>Profit (loss) before income tax</b>		<b>2,881</b>	<b>(37,621)</b>	<b>(3,302)</b>	<b>(43,448)</b>
Income tax (expense) benefit	28	(1,774)	4,125	(1,256)	5,434
<b>Net profit (loss) for the year from the continuing operations</b>		<b>1,107</b>	<b>(33,496)</b>	<b>(4,558)</b>	<b>(38,014)</b>
<b>Net (loss) for the year from the discontinued operations</b>	12	(7)	-	-	-
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>1,100</b>	<b>(33,496)</b>	<b>(4,558)</b>	<b>(38,014)</b>
Attributable to:					
Equity holders of the parent		1,100	(33,496)	(4,558)	(38,014)
Non-controlling interest		-	-	-	-
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>1,100</b>	<b>(33,496)</b>	<b>(4,558)</b>	<b>(38,014)</b>
<b>EARNINGS PER SHARE</b>					
Basic (in LTL)	30	0.00	(0.13)	(0.02)	(0.15)
Diluted (in LTL)	30	0.00	(0.13)	(0.02)	(0.15)

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

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugiarskis  
Chairman of the Board

  
V. Petraitiene  
Chief Accountant

## AB ŪKIO BANKAS


### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
<b>Profit (loss) for the year</b>	<b>1,100</b>	<b>(33,496)</b>	<b>(4,558)</b>	<b>(38,014)</b>
<b>Other comprehensive income</b>				
<b>Exchange differences on translating foreign operations</b>				
Exchange differences arising during the year on translating foreign operations, net of tax	(384)	113	-	-
	<b>(384)</b>	<b>113</b>	<b>-</b>	<b>-</b>
<b>Available-for-sale financial assets</b>				
Net gain (loss) arising on revaluation of available-for-sale financial assets during the year, net of tax	1,736	576	1,746	539
	<b>1,736</b>	<b>576</b>	<b>1,746</b>	<b>539</b>
Other reclassification adjustments	-	(7)	-	-
<b>Total comprehensive income for the year</b>	<b>2,452</b>	<b>(32,814)</b>	<b>(2,812)</b>	<b>(37,475)</b>
Attributable to:				
Equity holders of the parent	2,452	(32,814)	(2,812)	(37,475)
Non-controlling interest	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,452</b>	<b>(32,814)</b>	<b>(2,812)</b>	<b>(37,475)</b>

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

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugraszkis  
Chairman of the Board

  
V. Petraitiene  
Chief Accountant



## AB ŪKIO BANKAS

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Bank	Share Capital	Share premium	Other reserves	Revaluation reserve on available- for-sale investment securities	Legal reserve	Retained earnings (accumulated loss)	Total
<b>As of 1 January 2010</b>	<b>245,824</b>	<b>76,500</b>	<b>136,647</b>	<b>(5,175)</b>	<b>15,532</b>	<b>(74,997)</b>	<b>394,331</b>
Increase of share capital (Note 21)	50,000	-	-	-	-	-	50,000
Transfer to retained earnings (loss)	-	-	(74,997)	-	-	74,997	-
Tax loss transfer to subsidiary	-	-	-	-	-	(1,826)	(1,826)
Total comprehensive income for the year:	-	-	-	539	-	(38,014)	(37,475)
<i>Net loss</i>	-	-	-	-	-	(38,014)	(38,014)
<i>Other comprehensive income</i>	-	-	-	539	-	-	539
<b>As of 31 December 2010</b>	<b>295,824</b>	<b>76,500</b>	<b>61,650</b>	<b>(4,636)</b>	<b>15,532</b>	<b>(39,840)</b>	<b>405,030</b>
Transfer to retained earnings (loss)	-	-	(39,840)	-	-	39,840	-
Increase of share capital (Note 21)	50,000	-	-	-	-	-	50,000
Total comprehensive income for the year:	-	-	-	1,746	-	(4,558)	(2,812)
<i>Net loss</i>	-	-	-	-	-	(4,558)	(4,558)
<i>Other comprehensive income</i>	-	-	-	1,746	-	-	1,746
<b>As of 31 December 2011</b>	<b>345,824</b>	<b>76,500</b>	<b>21,810</b>	<b>(2,890)</b>	<b>15,532</b>	<b>(4,558)</b>	<b>452,218</b>

(Continued)

## AB ŪKIO BANKAS

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

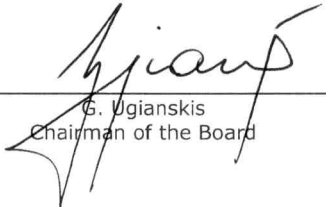
(All amounts in LTL thousands unless otherwise stated)

The Group	Share Capital	Share premium	Other reserves	Revaluation reserve on available- for-sale investment securities	Foreign currency translation reserve	Legal reserve	Retained earnings (accumulated loss)	Equity attributable to equity holders of the parent	Non- controlling interest	Total
<b>As of 1 January 2010</b>	<b>245,824</b>	<b>76,500</b>	<b>136,647</b>	<b>(5,193)</b>	<b>(313)</b>	<b>16,046</b>	<b>(57,706)</b>	<b>411,805</b>	-	<b>411,805</b>
Transfer to legal reserve	-	-	-	-	-	571	(571)	-	-	-
Transfer to retained earnings (loss)	-	-	(74,997)	-	-	-	74,997	-	-	-
Increase of share capital (Note 21)	50,000	-	-	-	-	-	-	50,000	-	50,000
Total comprehensive income for the year:	-	-	-	576	113	-	(33,503)	(32,814)	-	(32,814)
<i>Net loss</i>	-	-	-	-	-	-	(33,496)	(33,496)	-	(33,496)
<i>Other comprehensive income</i>	-	-	-	576	113	-	(7)	682	-	682
<b>As of 31 December 2010</b>	<b>295,824</b>	<b>76,500</b>	<b>61,650</b>	<b>(4,617)</b>	<b>(200)</b>	<b>16,617</b>	<b>(16,783)</b>	<b>428,991</b>	-	<b>428,991</b>
Transfer to retained earnings (loss)	-	-	(39,840)	-	-	-	39,840	-	-	-
Transfer to legal reserve	-	-	-	-	-	374	(374)	-	-	-
Increase of share capital (Note 21)	50,000	-	-	-	-	-	-	50,000	-	50,000
Total comprehensive income for the year:	-	-	-	1,736	(384)	-	1,100	2,452	-	2,452
<i>Net profit</i>	-	-	-	-	-	-	1,100	1,100	-	1,100
<i>Other comprehensive income</i>	-	-	-	1,736	(384)	-	-	1,352	-	1,352
<b>As of 31 December 2011</b>	<b>345,824</b>	<b>76,500</b>	<b>21,810</b>	<b>(2,881)</b>	<b>(584)</b>	<b>16,991</b>	<b>23,783</b>	<b>481,443</b>	-	<b>481,443</b>

(Concluded)

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

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugianskis  
Chairman of the Board

  
V. Petraitiene  
Chief Accountant

## AB ŪKIO BANKAS

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

Notes	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
<b>Cash flows from (to) operating activities</b>				
Net profit (loss) for the year	1,100	(33,496)	(4,558)	(38,014)
<b>Adjustments to net profit (loss):</b>				
Income tax expenses (benefit) recognized in profit or loss	1,774	(4,125)	1,256	(5,434)
(Increase) in fair value of investment property	(245)	(1,426)	-	-
Impairment charge	13,194	34,829	12,736	21,232
Interest income	(202,183)	(201,371)	(178,321)	(172,655)
Interest expense	122,945	175,785	123,057	176,134
Dividends income	(109)	(60)	(109)	(60)
Depreciation and amortization	5,769	8,493	5,212	5,981
Loss (profit) from sales of property, plant and equipment	2,139	(5,062)	365	(5,424)
<b>Cash (to) operating activities before changes in operating assets and liabilities</b>	<b>(55,616)</b>	<b>(26,433)</b>	<b>(40,362)</b>	<b>(18,240)</b>
<b>Changes in operating assets and liabilities</b>				
Net change in balances with Central Bank	26,473	(34,505)	26,473	(34,505)
Net change in loans to banks and other credit institutions	5,237	(4,804)	-	(441)
Net change in financial assets at fair value through profit or loss	5,621	(31,469)	7,127	(20,725)
Net change in loans and finance lease	(11,668)	(207,936)	(12,983)	(82,017)
Net change in other assets	(15,685)	3,861	(2,259)	12,359
Net change in due to banks and other credit institutions	(372,873)	108,110	(372,873)	117,110
Net change in financial liabilities at fair value through profit or loss	(1,013)	1,010	(1,013)	1,010
Net change in due to customers	(502,225)	607,917	(511,100)	608,881
Net change in other liabilities	4,777	9,459	(430)	(2,218)
<b>Cash (used in) / generated from operations</b>	<b>(916,972)</b>	<b>425,210</b>	<b>(907,420)</b>	<b>581,214</b>
Interest received	156,241	168,718	147,583	139,959
Interest paid	(136,463)	(183,287)	(136,673)	(183,680)
Income tax paid	(213)	(100)	-	-
<b>Net cash (used in) / generated from operating activities</b>	<b>(897,407)</b>	<b>410,541</b>	<b>(896,510)</b>	<b>537,493</b>

(Continued)

## AB ŪKIO BANKAS

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

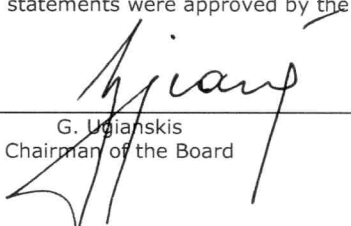
(All amounts in LTL thousands unless otherwise stated)

Notes	The Group 2011	The Group 2010	The Bank 2011	The Bank 2010
<b>Cash flows from (to) investing activities</b>				
Dividends received	109	60	109	60
Acquisition of subsidiaries	-	(2,004)	-	(2,725)
Acquisition of investment securities	(849,185)	(2,622,311)	(857,772)	(2,752,166)
Proceeds from redemption or sale of investment securities	952,781	2,273,329	954,822	2,269,283
Acquisition of property, plant and equipment and investment property	(3,944)	(12,352)	(3,433)	(1,571)
Proceeds from disposal of property plant and equipment	1,637	14,095	1,781	10,471
Acquisition of intangible assets	(852)	(749)	(791)	(488)
<b>Net cash generated from / (used in) investing activities</b>	<b>100,546</b>	<b>(349,932)</b>	<b>94,716</b>	<b>(477,136)</b>
<b>Cash flows from (to) financing activities</b>				
Increase of share capital	50,000	-	50,000	-
Debt securities issued	442,715	88,202	442,715	88,202
Debt securities redeemed	(296,247)	(61,740)	(294,828)	(61,740)
Subordinated loans received	-	-	-	-
Subordinated loans repaid	-	(3,608)	-	(3,608)
<b>Net cash generated from financing activities</b>	<b>196,468</b>	<b>22,854</b>	<b>197,887</b>	<b>22,854</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(600,393)</b>	<b>83,463</b>	<b>(603,907)</b>	<b>83,211</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	-	-	-	-
<b>Cash and cash equivalents at the beginning of the year</b>	<b>31 1,072,469</b>	<b>989,006</b>	<b>1,071,178</b>	<b>987,967</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>31 472,076</b>	<b>1,072,469</b>	<b>467,271</b>	<b>1,071,178</b>

(Concluded)

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

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Uojanskis  
Chairman of the Board

  
V. Petraitiene  
Chief Accountant

# AB ŪKIO BANKAS

## EXPLANATORY NOTES

### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 1 GENERAL INFORMATION

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

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

The Bank has 12 branches and 47 client service departments in Lithuania and 3 representative offices in foreign countries (Ukraine, Russia and Kazakhstan). In addition, the Bank controls, directly or indirectly, 10 subsidiaries: UAB Ūkio Banko Lizingas, set up in 1997; Ūkio Banko Investicijų Valdymas, set up in 2006; GD UAB Bonum Publicum, acquired in 2007; Ūkio Banko Rizikos Kapitalo Valdymas, set up in 2007; UAB Investicinio Turto Valdymas, acquired in 2009; UAB Eastern Europe Development Fund, acquired in 2009, UAB Turto Valdymo Paslaugos, set up in 2010, and UAB Trade Project, acquired in 2010. UAB Ūkio Banko Rizikos Kapitalo Valdymas owns 100% of shares of RAB Ūkio Bank Lizing (Ukraine; set up in 2006) and UAB Sporto Klubų Investicijos (set up in 2011 for the purpose of sale).

As of 31 December 2011 the Group and the Bank employed 853 and 754 employees respectively (as of 31 December 2010: 825 and 725).

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

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

	<b>2011</b>	<b>2010</b>
Vladimir Romanov	53.10%	53.10%
UAB First Partneriai	9.47%	6.45%
UAB Universal Business Investment Group Management	7.10%	8.30%
In kompleks L.L.C.	4.72%	5.91%

#### NOTE 2 ADOPTION OF THE NEW AND REVISED STANDARDS

##### **Standards and Interpretations effective in the current period**

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

- Amendments to IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 32 "Financial Instruments: Presentation" - Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation),
- Amendments to IFRIC 14 "IAS 19 - The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

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

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

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

- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

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

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

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

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015),
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - Mandatory Effective Date and Transition Disclosures,
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The Bank and the Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

The new IFRS 9 Financial Instruments will affect the Bank's and the Group's financial reporting upon implementation. The scope of the effect cannot be determined at present, since the valuation of Bank's and Group's financial assets are largely dependent on how the rules on the impairment of financial assets in the valuation category amortised cost are eventually worded. A judgment cannot be made until the remaining sections are issued.

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

# AB ŪKIO BANKAS

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

### NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Statement of compliance

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

#### 3.2 Basis of preparation

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

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

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

The principal accounting policies adopted are set out below:

#### 3.3 Principles of consolidation

As of 31 December 2011 and 31 December 2010 the Group financial statements include the accounts of the Bank and the following subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100%
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100%
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Property management	Kaunas, Lithuania	100%
GD UAB Bonum Publicum	Life insurance	Vilnius, Lithuania	100%
RAB Ūkio Bank Lizing *	Finance lease	Kiev, Ukraine	100%
UAB Investicinio Turto Valdymas	Property management	Vilnius, Lithuania	100%
UAB Trade Project	Property management	Kaunas, Lithuania	100%
UAB Eastern Europe Development Fund	Property management	Vilnius, Lithuania	100%
UAB Turto Valdymo Paslaugos	Financial intermediation	Kaunas, Lithuania	100%
UAB Sporto Klubų Investicijos (held for sale) *	Property management	Kaunas, Lithuania	100%

\* UAB Ūkio Banko Rizikos Kapitalo Valdymas owns 100% of shares of RAB Ūkio Bank Lizing and UAB Sporto Klubų Investicijos.

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

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

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

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

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

#### 3.4 Foreign currency transactions

Transactions denominated in foreign currencies are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities,

# AB ŪKIO BANKAS

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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including not matured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the exchange rate effective at the balance sheet date.

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

	<u>2011</u>	<u>2010</u>
USD	2.6694	2.6099
EUR	3.4528	3.4528
100 RUB	8.3334	8.5535
10 UAH	3.3243	3.2788

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

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

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

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

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

### 3.5 Recognition of income and expenses

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

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

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

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

### 3.6 Financial assets

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

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

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



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

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

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

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

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

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

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

Securities are classified into the following groups:

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

All securities are accounted for at settlement date.

#### Financial assets at fair value through profit or loss

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

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

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

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

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

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#### Investment securities available-for-sale

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

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

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

#### Investment securities held to maturity

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

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

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

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

### **3.7 Investments in subsidiaries**

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

### **3.8 Non-current assets and disposal groups held for sale**

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

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

### **3.9 Lease**

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

#### Group/Bank as lessee:

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

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

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

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

### Group/Bank as lessor:

When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable.

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

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

### **3.10 Cash and cash equivalents**

Cash and cash equivalents consist of cash, funds with Bank of Lithuania (except for the the compulsory reserves), funds in bank correspondent accounts and deposits in other banks up to 3 months.

### **3.11 Goodwill**

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

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

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

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

Software	3 years
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Property, plant and equipment, excluding construction in progress, are stated at historical cost, less accumulated depreciation and impairment loss, if any. Property, plant and equipment are assets that are controlled by the Group/Bank, which expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined. Liquidation value is 1 Lt.

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

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

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

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

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

### **3.13 Investment property**

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

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

#### 3.14 Impairment of non financial assets

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

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

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

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

#### 3.15 Foreclosed asset for bad debts and assets held for sale

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

#### 3.16 Income tax

The Bank and the Group calculates the corporate income tax in accordance with Lithuanian tax regulations, except for foreign subsidiaries, for which corporate income tax is calculated in accordance with local tax legislation. In the years 2010-2011 the Lithuanian tax rate was 15%. The 2011 corporate income tax rate for the subsidiary in Ukraine was 23% (2010: 25%). From 2012 the income tax rate in Ukraine is 21%.

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

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

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

#### Current and deferred income tax for the period

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

#### 3.17 Financial liabilities

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

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

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

### Issued debt securities

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

### **3.18 Insurance premium revenue and premium ceded to reinsurers**

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

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

### **3.19 Insurance claims**

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

### **3.20 Acquisition expenses**

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

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

### **3.21 Technical provisions**

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

#### a) Technical provision for unearned premiums

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

#### b) Technical provision for claims outstanding

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

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

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

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

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### c) Mathematical technical provision

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

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

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

### d) Technical provision for unit-linked life insurance policies

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

## **3.22 Derivative financial instruments**

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

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

## **3.23 Financial instruments with off-balance sheet risk**

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

## **3.24 Fair value of financial instruments**

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

## **3.25 Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group), whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group distinguishes such operating segments: Banking, Finance lease, Insurance and Other activities.

## **3.26 Related parties**

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

## **3.27 Offsetting**

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

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



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## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

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### NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### Estimates

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

#### Key sources of estimation uncertainty

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

#### Current economic situation and its impact on the Bank and the Group

The Bank and the Group have been impacted by the recent strain in the local and global economies. Although, according to public available information, the Lithuanian GDP showed a substantial increase of 5.8% during 2011, economic environment is still stressed, especially unfavorably affected by the negative trends in the EU and eurozone economies. The management of the Bank/Group assesses that in 2012, the economic situation will become more stressed as EU economy enters the recession, while Lithuanian economy remains on the growth phase, though the growth rate of Lithuanian GDP will reduce. In 2011, the real GDP growth was mostly stimulated by private consumption expenditure. Some segments of the economy, namely those related to foreign demand, grew slower. However, the deteriorating situation in the global economy is starting to worsen the expectations of households regarding the future economic situation in Lithuania and the situation in the labour market. Therefore, the growth of private consumption is expected decelerate afterwards in 2012, but is expected to remain positive.

According to scenario estimates, the capital adequacy and liquidity ratios of the Group and the Bank are expected to remain at satisfactory levels. The contingency plan included in annual stress testing results indicates priority sources of additional financial resources if needed. In 2012, the Bank expects moderate asset growth and to strengthen its capital base by issuing a new share issue. The key priorities of the Group's activities for 2012 will be increasing income from the main activities, increasing liquidity reserves and assuring asset quality.

As a result of such economic situation and its development uncertainties actual future loan impairment losses may differ from recorded estimates at the end of 2011.

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

#### Estimated impairment of goodwill

The Group/Bank test goodwill for impairment annually. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. As of 31 December 2011 the carrying amount of goodwill related to acquisition of GD UAB Bonum Publicum was LTL'000 18,857 (31 December 2010: LTL'000 19,647). As of 31 December 2011, goodwill was found to be impaired and the impairment of goodwill amounting to LTL'000 790 was included in impairment losses in the income statement for the year 2011 (as of 31 December 2010, goodwill was not impaired).

Business valuation of UAB Bonum Publicum was performed by independent certified appraiser using value in use (discounted cash flows) method (discount rate of 16%, estimated cash flows for the period 2011-2016 were used for valuation purposes). The result of valuation was compared with the cost of acquisition, and it was found that the investment in UAB Bonum Publicum was impaired by LTL'000 790.

#### Impairment losses on loans and finance lease receivable

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

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



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#### NOTE 5 CASH AND BALANCES WITH CENTRAL BANK

The Group			The Bank	
31.12.2010	31.12.2010		31.12.2010	31.12.2010
		<b>Cash and balances with Central Bank</b>		
131,734	158,207	Compulsory reserve	131,734	158,207
253,835	462,868	Funds on correspondent account (Note 31)	253,835	462,868
104,053	74,791	Cash on hand (Note 31)	104,053	74,789
<b>489,622</b>	<b>695,866</b>	<b>Total cash and balances with Central Bank</b>	<b>489,622</b>	<b>695,864</b>

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

#### NOTE 6 LOANS AND ADVANCES TO BANKS AND OTHER CREDIT INSTITUTIONS

31.12.2011	31.12.2010		31.12.2011	31.12.2010
		<b>Loans and advances to banks and other credit institutions</b>		
97,933	400,737	Funds on correspondent accounts	97,933	400,737
		Deposits:		
8,848	118,905	Overnight deposits	8,848	118,905
12,276	13,299	Term deposits	1,812	1,812
3,737	14,752	Demand deposits	2,602	13,881
-	-	Loans	-	-
<b>122,794</b>	<b>547,693</b>	<b>Total loans and advances to banks and other credit institutions</b>	<b>111,195</b>	<b>535,335</b>
(1,065)	-	Provisions for the impairment of loans and advances to banks and other credit institutions (Note 33 (f))	-	-
<b>121,729</b>	<b>547,693</b>	<b>Total loans and advances to banks and other credit institutions, net of provisions</b>	<b>111,195</b>	<b>535,335</b>

Deposits in banks amounting to LTL'000 1,812 as of 31 December 2011 (31 December 2010: LTL'000 1,812) were pledged as a counter guarantee deposits for guarantees to bank's customers.

#### NOTE 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

31.12.2011	31.12.2010		31.12.2011	31.12.2010
		<b>Debt securities held for trading</b>		
1,449	3,773	Debt securities of entities	-	2,303
1,964	8,814	Debt securities of banks and financial institutions	-	6,415
12,221	28,121	Government bonds	-	17,605
<b>15,634</b>	<b>40,708</b>	<b>Total</b>	<b>-</b>	<b>26,323</b>
<b>1,052</b>	<b>1,614</b>	<b>Derivatives</b>	<b>1,052</b>	<b>1,640</b>
		<b>Equity securities held for trading</b>		
28,690	28,822	Investment funds	-	412
-	3,346	Equity securities of entities	-	3,346
-	346	Equity securities of banks and financial institutions	-	346
<b>28,690</b>	<b>32,514</b>	<b>Total</b>	<b>-</b>	<b>4,104</b>
<b>23,497</b>	<b>-</b>	<b>Equity securities of entities designated at fair value through profit or loss</b>	<b>23,497</b>	<b>-</b>
<b>68,873</b>	<b>74,836</b>	<b>Total financial assets at fair value through profit or loss</b>	<b>24,549</b>	<b>32,067</b>

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### NOTE 8 LOANS AND FINANCE LEASE RECEIVABLE

<b>The Group</b>			<b>The Bank</b>	
<b>31.12.2011</b>	<b>31.12.2010</b>		<b>31.12.2011</b>	<b>31.12.2010</b>
		<b>Loans and finance lease receivable</b>		
		Loans to small and medium size enterprises (SMEs)	1,232,849	1,208,121
1,342,259	1,317,588	Loans to other enterprises	618,262	677,403
940,438	978,277	Loans to individuals	170,332	184,188
324,931	320,742	Loans to financial institutions	369,576	354,717
4,138	3,986	Finance lease receivable	89,592	55,383
231,860	213,881			
<b>2,843,626</b>	<b>2,834,474</b>	<b>Total loans and finance lease receivable</b>	<b>2,480,611</b>	<b>2,479,812</b>
		Provisions for impairment loss of loans and finance lease receivable (Note 33 (f))	(198,217)	(191,974)
(219,477)	(217,714)	<i>Provisions for impairment loss of loans</i>	(197,420)	(191,974)
(208,529)	(207,054)	<i>Provisions for impairment loss of finance lease receivables</i>	(797)	-
(10,948)	(10,660)			
<b>2,624,149</b>	<b>2,616,760</b>	<b>Total loans and finance lease receivable from customers, net of provisions</b>	<b>2,282,394</b>	<b>2,287,838</b>

As of 31 December 2011 the Group's/Bank's "Loans and finance lease receivable" balances include accrued interest in the amount of LTL'000 141,623 and LTL'000 121,207 respectively (31 December 2010: LTL'000 92,197 and LTL'000 83,460 respectively).

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

<b>Minimum lease receivables</b>			<b>Present value of minimum lease receivables</b>	
<b>31.12.2011</b>	<b>31.12.2010</b>		<b>31.12.2011</b>	<b>31.12.2010</b>
78,118	70,093	Due within one year	64,359	58,713
90,976	75,988	Due within two and five years	63,362	55,833
92,981	84,425	Due after five years	81,372	75,337
<b>262,075</b>	<b>230,506</b>	<b>Total</b>	<b>209,093</b>	<b>189,883</b>
(52,982)	(40,623)	Less: unearned finance income	-	-
<b>209,093</b>	<b>189,883</b>	<b>Minimum lease receivable</b>	<b>209,093</b>	<b>189,883</b>
22,767	23,998	Add: VAT receivable	22,767	23,998
(10,948)	(10,660)	Provisions for impairment loss of finance lease receivable	(10,948)	(10,660)
<b>220,912</b>	<b>203,221</b>	<b>Finance lease receivable, net of provisions</b>	<b>220,912</b>	<b>203,221</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

Minimum lease receivables			Present value of minimum lease receivables	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
10,539	2,136	Due within one year	5,154	269
48,295	20,706	Due within two and five years	33,597	14,184
48,691	38,076	Due after five years	38,321	31,765
<b>107,525</b>	<b>60,918</b>	<b>Total</b>	<b>77,072</b>	<b>46,218</b>
(30,453)	(14,700)	Less: unearned finance income	-	-
<b>77,072</b>	<b>46,218</b>	<b>Minimum lease receivable</b>	<b>77,072</b>	<b>46,218</b>
12,520	9,165	Add: VAT receivable	12,520	9,165
(797)	-	Provisions for impairment loss of finance lease receivable	(797)	-
<b>88,795</b>	<b>55,383</b>	<b>Finance lease receivable, net of provisions</b>	<b>88,795</b>	<b>55,383</b>

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

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
<b>Finance lease by type of assets leased</b>				
159,262	126,972	Real estate	79,843	46,895
15,739	21,047	Special equipment	-	-
19,377	17,196	Manufacturing equipment	9,042	8,466
13,647	16,130	Vehicles	707	22
4,879	6,934	Household equipment	-	-
3,414	5,763	Computer equipment	-	-
2,974	3,427	Audio and video equipment	-	-
3,419	3,311	Furniture	-	-
1,570	2,416	Construction materials	-	-
112	445	Mobile telephones	-	-
7,467	10,240	Other assets	-	-
<b>231,860</b>	<b>213,881</b>	<b>Total finance lease receivable by type of assets leased</b>	<b>89,592</b>	<b>55,383</b>
(10,948)	(10,660)	Provisions for impairment of finance lease receivable	(797)	-
<b>220,912</b>	<b>203,221</b>	<b>Total finance lease receivable by type of assets leased, net of provisions</b>	<b>88,795</b>	<b>55,383</b>

The Bank's subsidiary UAB Ūkio Banko Lizingas and the subsidiary of UAB Ūkio Banko Rizikos Kapitalo Valdymas RAB Ūkio Bank Lizing is engaged in leasing business. The Bank and its subsidiary UAB Ūkio Banko Rizikos Kapitalo Valdymas also have several finance lease contracts outstanding.

The average term of a lease contract is 88 months.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 9 INVESTMENT SECURITIES

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
		<b>Equity investment securities available-for-sale</b>		
9,943	10,357	Investment funds	9,459	9,922
285	29	Equity securities of entities available-for-sale	285	-
		Equity securities of banks and financial institutions available-for-sale		
489	1,618		489	1,618
<b>10,717</b>	<b>12,004</b>	<b>Total equity investment securities available-for-sale</b>	<b>10,233</b>	<b>11,540</b>
		<b>Debt investment securities available-for-sale</b>		
5,806	7,393	Debt investment securities of entities available-for-sale	5,806	7,393
		Debt investment securities of banks and financial institutions available-for-sale		
1,967	17,969		1,967	17,969
<b>7,773</b>	<b>25,362</b>	<b>Total debt investment securities available-for-sale</b>	<b>7,773</b>	<b>25,362</b>
-	(6,169)	Provisions for impairment of securities available-for-sale	-	(6,169)
<b>18,490</b>	<b>31,197</b>	<b>Total investment securities available-for-sale, net of provisions</b>	<b>18,006</b>	<b>30,733</b>
		<b>Investment securities held to maturity</b>		
105,601	166,690	Debt securities of entities held to maturity	105,601	166,690
		Debt securities of banks and financial institutions held to maturity		
134,802	126,385		466,904	455,251
306,711	346,329	Government debt securities held to maturity	306,043	345,900
<b>547,114</b>	<b>639,404</b>	<b>Total investment securities held to maturity</b>	<b>878,548</b>	<b>967,841</b>
(1,201)	-	Provisions for impairment of securities held to maturity	(1,201)	-
<b>545,913</b>	<b>639,404</b>	<b>Total debt investment securities held to maturity, net of provisions</b>	<b>877,347</b>	<b>967,841</b>

As of 31 December 2011 investment securities held to maturity with carrying amount LTL'000 nil were pledged under repurchase agreements (as of 31 December 2010: LTL'000 268,569) (Note 16).

During December 2011 the Bank disposed of a part of its debt securities held-to-maturity portfolio. As this was a response to a liquidity needs triggered by a one-off event, which could not be reasonably anticipated by the Bank, such disposal does not affect Bank's positive intentions and abilities to hold the rest of its debt securities held-to-maturity portfolio to maturity.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 10 INVESTMENTS IN SUBSIDIARIES

The Group		The Bank		
31.12.2011	31.12.2010	31.12.2011	31.12.2010	
		<b>Investments in subsidiaries</b>		
-	-	GD UAB Bonum Publicum	36,321	36,321
-	-	UAB Ūkio Banko Investicijų Valdymas	2,000	2,000
-	-	UAB Ūkio Banko Lizingas	1,000	1,000
-	-	UAB Ūkio Banko Rizikos Kapitalo Valdymas *	19,924	19,924
-	-	UAB Investicinio Turto Valdymas	98,391	98,391
-	-	UAB Eastern Europe Development Fund	56,626	56,626
-	-	UAB Trade Project	26,880	26,880
-	-	UAB Turto Valdymo Paslaugos	10	10
-	-	<b>Total investments in subsidiaries</b>	<b>241,152</b>	<b>241,152</b>
-	-	Provisions for impairment of investments in subsidiaries	(1,988)	-
-	-	<b>Total investments in subsidiaries, net of provisions</b>	<b>239,164</b>	<b>241,152</b>

\* UAB Ūkio Banko Rizikos Kapitalo Valdymas owns 100% of shares of RAB Ūkio Bank Lizing and UAB Sporto Klubų Investicijos (held for sale).

#### NOTE 11 ACQUISITIONS AND DISPOSALS

On 4 August 2010, the Group acquired 100% of the share capital of UAB Trade Project. UAB Trade Project contributed a net loss of LTL'000 nil for the period from 4 August 2010 to 31 December 2010.

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

UAB Trade Project net assets	Acquirer's carrying amount before acquisition
Investment property	34,650
Other assets	703
Liabilities	(8,473)
<b>Total purchase consideration paid</b>	<b>26,880</b>
Consideration paid in cash	2,680
Less: Cash and cash equivalents in subsidiary acquired	(676)
<b>Cash outflow on acquisition</b>	<b>2,004</b>

#### NOTE 12 DISCONTINUED OPERATIONS

On 14 December 2011, Bank's subsidiary UAB Ūkio Banko Rizikos Kapitalo Valdymas established a 100% owned subsidiary UAB Sporto Klubu Investicijos with a share capital of LTL'000 10, which on 28 December 2011 was increased up to LTL'000 12,947. UAB Sporto Klubu Investicijos was established with a purpose of sale in 2012, and is included in Group's financial statements as assets classified as held for sale. The activity result of UAB Sporto Klubu Investicijos for the year 2011 (loss of LTL'000 7) is included in Group's financial statements as loss from discontinued operations.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 13 INTANGIBLE ASSETS

The Group			The Bank	
Software	Goodwill	Total	Software	
<b>9,645</b>	<b>19,647</b>	<b>29,292</b>	<b>Acquisition cost</b>	
749	-	749	<b>As of 1 January 2010</b>	<b>8,533</b>
(232)	-	(232)	additions	488
5	-	5	disposals, write-offs (-)	(232)
<b>10,167</b>	<b>19,647</b>	<b>29,814</b>	currency exchange differences	-
852	-	852	<b>As of 31 December 2010</b>	<b>8,789</b>
(96)	-	(886)	additions	791
-	(790)	-	disposals, write-offs (-)	(78)
1	-	1	impairment	-
<b>10,924</b>	<b>18,857</b>	<b>29,781</b>	currency exchange differences	-
			<b>As of 31 December 2011</b>	<b>9,502</b>
			<b>Accumulated amortization</b>	
<b>7,197</b>	-	<b>7,197</b>	<b>As of 1 January 2010</b>	<b>6,313</b>
1,271	-	1,271	amortization	1,132
(232)	-	(232)	disposals, write-offs (-)	(232)
<b>8,236</b>	-	<b>8,236</b>	<b>As of 31 December 2010</b>	<b>7,213</b>
982	-	982	amortization	811
(96)	-	(96)	disposals, write-offs (-)	(78)
3	-	3	Currency exchange differences	-
<b>9,125</b>	-	<b>9,125</b>	<b>As of 31 December 2011</b>	<b>7,946</b>
			<b>Carrying amount</b>	
<b>1,931</b>	<b>19,647</b>	<b>21,578</b>	<b>As of 31 December 2010</b>	<b>1,576</b>
<b>1,799</b>	<b>18,857</b>	<b>20,656</b>	<b>As of 31 December 2011</b>	<b>1,556</b>

Intangible assets of the Group and the Bank with an acquisition cost of LTL'000 7,362 and LTL'000 6,385, respectively, were fully amortized as of 31 December 2011 (as of 31 December 2010, respectively, LTL'000 6,072 and LTL'000 5,303) but were still in active use.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 14 PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings and other real estate	Vehicles	Office equipment	Other assets	Total
<b>Historical cost</b>					
<b>As of 1 January 2010</b>	<b>9,815</b>	<b>16,343</b>	<b>30,986</b>	-	<b>57,144</b>
additions	1	486	1,446	-	1,933
acquisition of subsidiary	-	-	5	-	5
reclassification	(1,921)	421	-	5,075	3,575
disposals, write-offs (-)	(16)	(5,039)	(1,657)	-	(6,712)
currency exchange differences	173	664	63	-	900
<b>As of 31 December 2010</b>	<b>8,052</b>	<b>12,875</b>	<b>30,843</b>	<b>5,075</b>	<b>56,845</b>
additions	-	1,260	2,154	530	3,944
reclassification	-	-	(1)	-	(1)
disposals, write-offs (-)	(8)	(3,767)	(1,469)	(1,523)	(6,767)
currency exchange differences	-	(45)	(168)	-	(213)
<b>As of 31 December 2011</b>	<b>8,044</b>	<b>10,323</b>	<b>31,359</b>	<b>4,082</b>	<b>53,808</b>
<b>Accumulated depreciation</b>					
<b>As of 1 January 2010</b>	<b>2,153</b>	<b>6,270</b>	<b>14,410</b>	-	<b>22,833</b>
depreciation	249	3,018	3,955	-	7,222
acquisition of subsidiary	-	-	5	-	5
disposals, write-offs (-)	(16)	(1,805)	(1,583)	-	(3,404)
reclassification	(417)	-	-	-	(417)
currency exchange differences	27	98	21	-	146
<b>As of 31 December 2010</b>	<b>1,996</b>	<b>7,581</b>	<b>16,808</b>	-	<b>26,385</b>
depreciation	133	1,158	3,496	-	4,787
disposals, write-offs (-)	(8)	(1,719)	(1,343)	-	(3,070)
currency exchange differences	-	(19)	(78)	-	(97)
<b>As of 31 December 2011</b>	<b>2,121</b>	<b>7,001</b>	<b>18,883</b>	-	<b>28,005</b>
<b>Carrying amount</b>					
<b>As of 31 December 2010</b>	<b>6,056</b>	<b>5,294</b>	<b>14,035</b>	<b>5,075</b>	<b>30,460</b>
<b>As of 31 December 2011</b>	<b>5,923</b>	<b>3,322</b>	<b>12,476</b>	<b>4,082</b>	<b>25,803</b>

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



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Bank	Buildings and other real estate	Vehicles	Office equipment	Other assets	Total
<b>Historical cost</b>					
<b>As of 1 January 2010</b>	<b>8,068</b>	<b>6,925</b>	<b>28,994</b>	-	<b>43,987</b>
additions	-	255	1,316	-	1,571
disposals, write-offs (-)	(16)	(131)	(1,601)	-	(1,748)
reclassification	-	-	-	5,075	5,075
<b>As of 31 December 2010</b>	<b>8,052</b>	<b>7,049</b>	<b>28,709</b>	<b>5,075</b>	<b>48,885</b>
additions	-	793	2,110	530	3,433
disposals, write-offs (-)	(8)	(472)	(1,352)	(1,523)	(3,355)
<b>As of 31 December 2011</b>	<b>8,044</b>	<b>7,370</b>	<b>29,467</b>	<b>4,082</b>	<b>48,963</b>
<b>Accumulated depreciation</b>					
<b>As of 1 January 2010</b>	<b>1,878</b>	<b>3,681</b>	<b>13,231</b>	-	<b>18,790</b>
depreciation	134	1,036	3,679	-	4,849
disposals, write-offs (-)	(16)	(99)	(1,532)	-	(1,647)
<b>As of 31 December 2010</b>	<b>1,996</b>	<b>4,618</b>	<b>15,378</b>	-	<b>21,992</b>
depreciation	133	917	3,351	-	4,401
disposals, write-offs (-)	(8)	(213)	(1,231)	-	(1,452)
<b>As of 31 December 2011</b>	<b>2,121</b>	<b>5,322</b>	<b>17,498</b>	-	<b>24,941</b>
<b>Carrying amount</b>					
<b>As of 31 December 2010</b>	<b>6,056</b>	<b>2,431</b>	<b>13,331</b>	<b>5,075</b>	<b>26,893</b>
<b>As of 31 December 2011</b>	<b>5,923</b>	<b>2,048</b>	<b>11,969</b>	<b>4,082</b>	<b>24,022</b>

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

Property, plant and equipment of the Group and the Bank with an acquisition cost of LTL'000 9,634 and LTL'000 7,748, respectively, were fully depreciated as of 31 December 2011 (as of 31 December 2010, respectively, LTL'000 7,823 and LTL'000 6,148) but were still in active use.

The carrying amount of the vehicles acquired by the Group/Bank under finance lease agreements as of 31 December 2011 was LTL'000 187 (31 December 2010: LTL'000 364).

### Investment property

The Group		The Bank
<b>199,690</b>	<b>Investment property</b>	
10,419	fair value as of 1 January 2010	<b>16,052</b>
(11,221)	Investment property additions	-
1,504	Sales, write off (disposal) of investment property (-)	(10,021)
1,426	Reclassification	-
34,650	Gain arising on change in the fair value	-
	Acquisition of subsidiary (Note 11)	-
<b>236,468</b>	<b>Investment property</b>	
165	fair value as of 31 December 2010	<b>6,031</b>
(532)	Reclassification	-
245	Impairment	-
4	Gain arising on change in the fair value	-
	Currency exchange rate effect	-
<b>236,350</b>	<b>Investment property</b>	
	fair value as of 31 December 2011	<b>6,031</b>

The majority of the investment property of the Group (88% of the value) is comprised of 3 investment objects held by subsidiaries of the Bank. The fair value of these objects is appraised by independent certified appraisers using comparative market value or value in use (discounted cash flows) methods. Value in use method requires the use of discount rates, which are estimated by the independent certified appraisers based on the risk of the object appraised, which range from 7% to 10%.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 15 OTHER ASSETS

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
		<b>Other assets</b>		
130,359	81,302	Foreclosed assets	119,924	69,681
8,048	8,752	Deferred expenses	5,741	5,841
3,429	2,863	Prepayments	2,239	1,559
1,925	277	Transit accounts	1,675	169
745	997	Collateral for rent of premises	745	997
491	604	Accounts receivable	-	604
392	392	Receivables on securities transactions	392	392
131	871	Income tax paid in advance	-	647
2,893	2,734	Other receivables	2,123	1,607
<b>148,413</b>	<b>98,792</b>	<b>Total other assets</b>	<b>132,839</b>	<b>81,497</b>
(3,849)	(421)	Impairment loss of other assets (Note 33 (f))	(2,104)	(416)
<b>144,564</b>	<b>98,371</b>	<b>Total other assets, net of provisions</b>	<b>130,735</b>	<b>81,081</b>

#### NOTE 16 DUE TO BANKS AND OTHER CREDIT INSTITUTIONS

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
		<b>Due to banks and other credit institutions</b>		
2,003	2,390	Due to correspondent banks	2,003	2,390
14,237	153,636	Deposits	14,237	153,636
		Loans:		
3,447	-	Falling due within one year	3,447	-
1,076	1,794	Falling due after one year	1,076	1,794
-	235,816	Repurchase agreements	-	235,816
<b>20,763</b>	<b>393,636</b>	<b>Total</b>	<b>20,763</b>	<b>393,636</b>
46	2,533	Accrued interest	46	2,533
<b>20,809</b>	<b>396,169</b>	<b>Total due to banks and other credit institutions</b>	<b>20,809</b>	<b>396,169</b>

As of 31 December 2011 investment securities held to maturity with carrying amount LTL'000 nil were pledged under repurchase agreements (as of 31 December 2010: LTL'000 268,568) (Note 9).

In 2011 the Bank decided not to renew its obligations under repurchase agreements made in the previous periods and as repurchase agreements ended, the Bank repaid them in cash and obtained back the collateral.

## AB ÛKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011 (All amounts in LTL thousands unless otherwise stated)

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#### NOTE 17 DUE TO CUSTOMERS

<b>The Group</b>			<b>The Bank</b>	
<u>31.12.2011</u>	<u>31.12.2010</u>		<u>31.12.2011</u>	<u>31.12.2010</u>
		<b>Due to customers</b>		
967,878	813,043	Current and demand deposits	968,952	814,964
2,394,903	3,064,593	Term deposits, letters of credit	2,398,907	3,077,154
74,887	75,542	Loans	70,576	70,800
<u><b>3,437,668</b></u>	<u><b>3,953,178</b></u>	<b>Total due to customers</b>	<u><b>3,438,435</b></u>	<u><b>3,962,918</b></u>
<b>The Group</b>			<b>The Bank</b>	
<u>31.12.2011</u>	<u>31.12.2010</u>		<u>31.12.2011</u>	<u>31.12.2010</u>
		<b>Current and demand deposits</b>		
523,337	475,053	Companies	523,817	475,893
388,189	273,117	Individuals	388,189	273,117
56,352	64,873	Financial institutions	56,946	65,954
<u><b>967,878</b></u>	<u><b>813,043</b></u>		<u><b>968,952</b></u>	<u><b>814,964</b></u>
		<b>Term deposits, letters of credit</b>		
311,534	475,190	Companies	311,534	475,190
1,951,856	2,449,244	Individuals	1,951,856	2,449,244
112,363	107,577	Financial institutions	116,288	120,046
<u><b>2,375,753</b></u>	<u><b>3,032,011</b></u>		<u><b>2,379,678</b></u>	<u><b>3,044,480</b></u>
		<b>Loans</b>		
10,627	8,000	Government institutions	6,400	8,000
63,794	62,480	Financial institutions	63,794	62,480
-	4,649	Private companies	-	-
<u><b>74,421</b></u>	<u><b>75,129</b></u>		<u><b>70,194</b></u>	<u><b>70,480</b></u>
19,616	32,995	Accrued interest	19,611	32,994
<u><b>3,437,668</b></u>	<u><b>3,953,178</b></u>	<b>Total due to customers</b>	<u><b>3,438,435</b></u>	<u><b>3,962,918</b></u>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 18 DEBT SECURITIES IN ISSUE

As of 31 December 2011, the Group and the Bank had the following debt securities in issue:

##### The Group as of 31 December 2011:

	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity</u>	<u>Carrying value</u>
Fixed rate notes issue No. 1/2011	LTL	4.0%	2012	13,895
Fixed rate notes issue No. 2/2011	LTL	4.0%	2012	18,082
Fixed rate notes issue No. 3/2011	LTL	4.0%	2012	20,910
Fixed rate notes issue No. 4/2011	LTL	4.0%	2012	32,142
Fixed rate notes issue No. 5/2011	LTL	4.0%	2012	16,323
Fixed rate notes issue No. 6/2011	LTL	4.5%	2012	19,362
Fixed rate notes issue No. 7/2011	EUR	4.5%	2012	14,979
Fixed rate notes issue No. 8/2011	LTL	4.5%	2012	27,503
Fixed rate notes issue No. 9/2011	LTL	4.5%	2012	20,450
Fixed rate notes issue No. 10/2011	EUR	4.5%	2012	6,653
Fixed rate notes issue No. 11/2011	LTL	4.5%	2012	2,591
Fixed rate notes issue No. 12/2011	EUR	4.5%	2012	621
<b>Total debt securities in issue</b>				<b>193,511</b>

##### The Bank as of 31 December 2011:

	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity</u>	<u>Carrying value</u>
Fixed rate notes issue No. 1/2011	LTL	4.0%	2012	13,895
Fixed rate notes issue No. 2/2011	LTL	4.0%	2012	18,082
Fixed rate notes issue No. 3/2011	LTL	4.0%	2012	20,910
Fixed rate notes issue No. 4/2011	LTL	4.0%	2012	32,142
Fixed rate notes issue No. 5/2011	LTL	4.0%	2012	16,323
Fixed rate notes issue No. 6/2011	LTL	4.5%	2012	20,781
Fixed rate notes issue No. 7/2011	EUR	4.5%	2012	14,979
Fixed rate notes issue No. 8/2011	LTL	4.5%	2012	27,503
Fixed rate notes issue No. 9/2011	LTL	4.5%	2012	20,450
Fixed rate notes issue No. 10/2011	EUR	4.5%	2012	6,653
Fixed rate notes issue No. 11/2011	LTL	4.5%	2012	2,591
Fixed rate notes issue No. 12/2011	EUR	4.5%	2012	621
<b>Total debt securities in issue</b>				<b>194,930</b>

As of 31 December 2010, the Group and the Bank had the following debt securities in issue:

##### The Group / The Bank as of 31 December 2010:

	<u>Currency</u>	<u>Annual interest rate</u>	<u>Maturity</u>	<u>Carrying value</u>
Fixed rate notes issue No. 1/2010	EUR	3.0%	2011	4,561
Fixed rate notes issue No. 2/2010	LTL	5.5%	2011	10,990
Fixed rate notes issue No. 3/2010	EUR	4.0%	2011	6,836
Fixed rate notes issue No. 4/2010	LTL	5.2%	2011	7,966
Fixed rate notes issue No. 5/2010	EUR	3.5%	2011	2,068
Fixed rate notes issue No. 6/2010	LTL	4.9%	2011	11,099
Fixed rate notes issue No. 7/2010	EUR	2.9%	2011	1,178
<b>Total debt securities in issue</b>				<b>44,698</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 19 SUBORDINATED LOANS

As of 31 December 2011	Currency	Annual interest rate	Maturity	Book value
Taberna Europe DCO II P.L.C.	EUR	8.45%	2017	93,864
<b>Total subordinated loans</b>				<b>93,864</b>

As of 31 December 2010	Currency	Annual interest rate	Maturity	Book value
Taberna Europe DCO II P.L.C.	EUR	8.45%	2017	93,956
<b>Total subordinated loans</b>				<b>93,956</b>

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

#### NOTE 20 OTHER LIABILITIES

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
		<b>Other liabilities</b>		
43,258	41,647	Technical provisions (related to insurance activity)	-	-
6,450	3,545	Accounts payable	-	-
4,171	3,395	Payroll and social security payable and vacation reserve	3,312	2,534
3,946	3,042	Prepayments from customers for finance leases	-	121
3,574	3,543	Funds on closed accounts of the customers	3,574	3,543
3,191	1,120	Suspense accounts	3,191	1,120
1,664	2,660	Taxes payable	1,068	2,056
1,264	1,445	Accrued deposit insurance expenses	1,264	1,445
		Accrued expenses for utilities, security, communications, advertising, audit	1,235	1,144
1,235	1,144			
776	1,321	Prepayments for spot transactions	776	1,321
451	821	Accrued income and deferred expenses	-	247
281	561	Payments received from guarantees	281	561
42	6	Finance lease payable	42	-
1	138	Provision for off-balance sheet items	1	138
7,712	7,253	Other liabilities	5,414	5,229
<b>78,016</b>	<b>71,641</b>	<b>Total other liabilities</b>	<b>20,158</b>	<b>19,459</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 21 SHARE CAPITAL AND RESERVES

The authorized capital of the Bank as of 31 December 2011 was LTL'000 345,824 (31 December 2010: LTL'000 295,824) and consisted of 345,824,000 (31 December 2010: 295,824,000) ordinary shares with par value of LTL 1 each. All shares are fully paid.

On 30 December 2011 AB Ūkio bankas authorized capital was increased from additional contributions to LTL'000 345,824 by issuing new LTL'000 50,000 issue of 50 million ordinary registered shares of 1 LTL nominal value which was paid in cash. The price of the shares of the new issue – 1 LTL for one share.

On 13 September 2010 AB Ūkio bankas authorized capital was increased from additional contributions to LTL'000 295,824 by issuing new LTL'000 50,000 issue of 50 million ordinary registered shares of 1 LTL nominal value. AB Ūkio bankas authorized capital was increased by converting subordinated loan, received from Vladimir Romanov, to a new issue of ordinary registered shares. The price of the shares of the new issue – 1 LTL for one share.

Other reserves are formed from shareholder's additional contributions or deductions from the profit of the Bank. The purpose of Other reserves is to guarantee the financial stability of the Bank. Other reserves following the decision of the ordinary General Meeting of the Shareholders can be used to cover the losses and for the purpose discussed in Part 6 of Article 41 of Law on the Banks of the Republic of Lithuania. On 25 March 2011 the ordinary general shareholders' meeting of AB Ūkio bankas adopted resolution to transfer LTL'000 39,840 from other reserves to retained earnings. As of 31 December 2011 Other reserves amounted to LTL'000 21,810 (31 December 2010: LTL'000 61,650).

#### NOTE 22 INTEREST INCOME AND EXPENSE

The Group			The Bank	
2011	2010		2011	2010
		<b>Interest income</b>		
169,662	178,135	on loans and other receivables (including finance leases)	123,472	135,775
29,058	20,099	on investment securities held to maturity	52,181	34,477
1,441	1,072	on trading debt securities	646	338
1,094	1,348	on investment securities available-for-sale	1,094	1,348
928	717	on balances with central bank	928	717
<b>202,183</b>	<b>201,371</b>	<b>Total interest income</b>	<b>178,321</b>	<b>172,655</b>
		<b>Interest expense</b>		
91,002	135,167	on due to customers	91,094	135,611
7,786	10,746	on subordinated loans	7,786	10,746
4,693	1,771	on debt securities issued	4,713	1,771
2,783	12,244	on due to banks and other credit institutions	2,783	12,149
16,681	15,857	deposit insurance expenses	16,681	15,857
<b>122,945</b>	<b>175,785</b>	<b>Total interest expense</b>	<b>123,057</b>	<b>176,134</b>

In 2011 the Group's and the Bank's total interest income includes income accrued on impaired financial assets in the amount of LTL'000 18,020 and LTL'000 12,384 respectively (2010: LTL'000 24,648 and LTL'000 20,485 respectively).

The main reason of the increase of net interest income of the Group/Bank in 2011 as compared to 2010 is the decrease in price of term funds borrowed in local market.

# AB ŪKIO BANKAS

## EXPLANATORY NOTES

### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 23 FEES AND COMMISSION INCOME AND EXPENSE

The Group			The Bank	
2011	2010		2011	2010
		<b>Fees and commission income</b>		
28,907	35,363	for money transfer operations	29,045	35,471
7,566	3,054	for credit services	3,909	3,054
5,895	8,360	for payment card services	4,622	3,695
2,838	2,473	for EUR currency exchange	2,838	2,473
1,874	2,988	for bank accounts' services	1,874	2,988
1,540	1,505	for collection of payments for services	1,572	1,535
1,007	1,053	for guarantees and letters of credit	1,007	1,053
952	1,020	for internet banking service	952	1,020
4,527	3,655	other	5,601	2,825
<b>55,106</b>	<b>59,471</b>	<b>Total fees and commission income</b>	<b>51,420</b>	<b>54,114</b>
		<b>Fees and commission expenses</b>		
5,699	5,717	for payment card services	5,692	5,699
2,837	3,314	for money transfer operations	2,508	2,992
1,517	1,384	other	1,485	1,352
<b>10,053</b>	<b>10,415</b>	<b>Total fees and commission expenses</b>	<b>9,685</b>	<b>10,043</b>

#### NOTE 24 NET TRADING INCOME

The Group			The Bank	
2011	2010		2011	2010
<b>11,371</b>	<b>20,132</b>	<b>Net gains from dealing in foreign currency</b>	<b>11,584</b>	<b>19,834</b>
		<b>Net gains (losses) from financial assets at fair value through profit or loss</b>		
(7,269)	4,449	From trading securities	(2,479)	531
2,292	-	From securities designated at fair value through profit or loss	2,292	-
4,610	(3,734)	From derivatives	4,597	(3,704)
<b>(367)</b>	<b>715</b>	<b>Total</b>	<b>4,410</b>	<b>(3,173)</b>
		<b>Net gains (losses) arising from investment securities</b>		
(3,903)	17,368	From available-for-sale investment securities	(3,898)	17,368
7,277	(1,121)	From investment securities held-to-maturity	7,277	(1,121)
<b>3,374</b>	<b>16,247</b>	<b>Total</b>	<b>3,379</b>	<b>16,247</b>



# AB ŪKIO BANKAS

## EXPLANATORY NOTES

### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 25 OTHER OPERATING INCOME

The Group			The Bank	
2011	2010		2011	2010
		<b>Other operating income</b>		
(2,139)	5,062	Gain (loss) on derecognition of fixed assets	(365)	5,424
1,538	1,833	Rent income	456	332
288	330	Fines and penalties received	33	12
245	1,426	Changes in fair value of investment property	-	-
772	578	Other income	711	580
<b>704</b>	<b>9,229</b>	<b>Total other operating income</b>	<b>835</b>	<b>6,348</b>

#### NOTE 26 OPERATING EXPENSES

The Group			The Bank	
2011	2010		2011	2010
		<b>Operating expenses</b>		
48,451	45,321	Salary and related expenses (Note 27)	39,110	35,677
22,173	22,405	Rent of premises and household expenses	18,911	19,326
21,483	19,686	Marketing and sponsorship expenses	17,247	16,721
5,769	8,493	Depreciation and amortization (Notes 13, 14)	5,212	5,981
4,262	3,781	IT expenses	4,201	3,717
4,078	9,165	Taxes (other than income tax)	3,324	8,235
3,938	3,839	Transport, post and communication service expenses	2,914	2,696
2,078	2,020	Training and business trip expenses	981	810
1,413	1,077	Expenses to organizations servicing the bank	1,367	1,031
5,484	1,162	Expenses related to foreclosed assets	5,212	951
12,862	9,708	Other expenses	9,403	7,151
<b>131,991</b>	<b>126,657</b>	<b>Total operating expenses</b>	<b>107,882</b>	<b>102,296</b>

#### NOTE 27 SALARY AND RELATED EXPENSES

The Group			The Bank	
2011	2010		2011	2010
		<b>Salary and related expenses</b>		
36,382	33,826	Salaries	29,397	26,656
11,681	10,769	Social security	9,369	8,455
388	726	Bonuses and similar payments	344	566
<b>48,451</b>	<b>45,321</b>	<b>Total</b>	<b>39,110</b>	<b>35,677</b>

#### NOTE 28 INCOME TAX EXPENSE

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

The Group			The Bank	
2011	2010		2011	2010
		<b>Income tax</b>		
761	320	Current income tax	-	-
500	(16)	Prior year income tax corrections	526	(16)
513	(4,429)	Change in deferred income tax (Note 29)	730	(5,418)
<b>1,774</b>	<b>(4,125)</b>	<b>Total income tax expense (benefit)</b>	<b>1,256</b>	<b>(5,434)</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Group			The Bank	
2011	2010		2011	2010
<b>2,881</b>	<b>(37,621)</b>	<b>Profit (loss) before tax</b>	<b>(3,302)</b>	<b>(43,448)</b>
432	(5,643)	Tax calculated at a tax rate of 2011 – 15%	(495)	(6,517)
		Tax effect of income not subject to tax and expenses not deductible in determining taxable profit	1,225	1,413
3,267	6,213	Prior year income tax corrections	526	(16)
500	(16)	Increase (decrease) in deferred tax resulting from change in tax rate (in Ukraine 2012 – 21%, 2011 – 23%)	-	-
154	137	Changes in deferred income tax valuation allowance	-	(314)
(2,579)	(4,816)	<b>Income tax expense (benefit)</b>	<b>1,256</b>	<b>(5,434)</b>
<b>1,774</b>	<b>(4,125)</b>			
62	-	Effective tax rate, %	-	-

#### NOTE 29 DEFERRED INCOME TAX

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

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
<b>Deferred income tax assets</b>				
(112)	(1,366)	Revaluation of financial assets	(116)	(1,365)
(330)	-	Operations with financial assets	(321)	-
(4,104)	(548)	Impairment	(408)	-
(1,026)	(390)	Accrued expenses, deferred income	(497)	(380)
(20,071)	(21,018)	Tax loss carried forward	(15,189)	(15,945)
<b>(25,643)</b>	<b>(23,322)</b>		<b>(16,531)</b>	<b>(17,690)</b>
5,317	2,738	Valuation allowance	-	-
<b>Deferred income tax liabilities</b>				
22,358	23,026	Revaluation of investment property	176	172
-	8	Revaluation of financial assets	-	-
1,742	534	Other liabilities	559	683
<b>24,100</b>	<b>23,568</b>		<b>735</b>	<b>855</b>
<b>(17,110)</b>	<b>(18,070)</b>	<b>Total deferred income tax assets</b>	<b>(15,796)</b>	<b>(16,835)</b>
<b>20,884</b>	<b>21,054</b>	<b>Total deferred income tax liabilities</b>	<b>-</b>	<b>-</b>

The movement for the year ended 31 December 2011 in the Group's and the Bank's net deferred tax (assets)/ liability position was as follows:

	The Group	The Bank
<b>As of 1 January 2011</b>	<b>2,984</b>	<b>(16,835)</b>
Charge to income for the year (Note 28)	513	730
Currency exchange rate effect	(32)	-
Revaluation of investments available-for-sale charged to other comprehensive income	309	309
<b>As of 31 December 2011</b>	<b>3,774</b>	<b>(15,796)</b>

According Lithuanian tax legislation the income tax loss from operating activities carried forward utilization period is unlimited except for losses on derivatives and securities trading which are carried forward for 5 years.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 30 EARNINGS PER SHARE

The Group			The Bank	
2011	2010		2011	2010
<b>Basic earnings per share calculation</b>				
1,100	(33,496)	Profit (loss) attributable to equity holders of the Parent	(4,558)	(38,014)
296,098	260,756	Weighted average number of ordinary shares in issue (thousands units)	296,098	260,756
<b>0.00</b>	<b>(0.13)</b>	<b>Basic earnings per share (in LTL)</b>	<b>(0.02)</b>	<b>(0.15)</b>

Diluted earnings per share are equal to basic earnings per share as no transactions having dilutive effect were effective as of 31 December 2011 and 31 December 2010.

#### NOTE 31 CASH AND CASH EQUIVALENTS

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
<b>Cash and cash equivalents</b>				
104,053	74,791	Cash and other valuables (Note 5)	104,053	74,789
114,188	534,810	Deposits in other banks and credit institutions up to 3 months	109,383	533,521
253,835	462,868	Correspondent account with Bank of Lithuania (Note 5)	253,835	462,868
<b>472,076</b>	<b>1,072,469</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>467,271</b>	<b>1,071,178</b>

# AB ŪKIO BANKAS

## EXPLANATORY NOTES

### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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#### NOTE 32 THE PROCESSES OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

# AB ŪKIO BANKAS

## EXPLANATORY NOTES

### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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#### NOTE 33 CREDIT RISK MANAGEMENT

##### a) Introduction

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

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

##### Concentration of risk management

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

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

##### Analysis of the ability of borrowers or potential borrowers to meet their obligations

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

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

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

##### Impairment of the loans and lease receivables

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

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

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

## **AB ŪKIO BANKAS**

### **EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011**

(All amounts in LTL thousands unless otherwise stated)

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

#### **Credit risk mitigation**

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

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

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

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

#### **Recovery of problem and written-off loans**

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

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

The Group			The Bank	
31.12.2011	31.12.2010		31.12.2011	31.12.2010
<b>Assets</b>				
385,569	621,075	Funds with central banks	385,569	621,075
121,729	547,693	Loans and advances to banks and other credit institutions	111,195	535,335
68,873	74,836	Financial assets at fair value through profit or loss	24,549	32,067
2,624,149	2,616,760	Loans and finance lease receivable:	2,282,394	2,287,838
1,382,442	1,347,926	<i>loans to and finance lease receivable from SMEs</i>	1,167,109	1,121,513
931,565	962,447	<i>loans to and finance lease receivable from other enterprises</i>	606,621	656,751
4,138	3,986	<i>loans to and finance lease receivable from financial institutions</i>	366,776	354,717
306,004	302,401	<i>loans to and finance lease receivable from individuals</i>	141,888	154,857
564,403	670,601	Investment securities:	895,353	998,574
18,490	31,197	<i>available-for-sale</i>	18,006	30,733
545,913	639,404	<i>held to maturity</i>	877,347	967,841
33,396	35,106	Other assets	26,581	28,209
<b>3,798,119</b>	<b>4,566,071</b>	<b>Total</b>	<b>3,725,641</b>	<b>4,503,098</b>
<b>Contingent liabilities and commitments</b>				
45,364	67,704	Guarantees and warranties	45,364	67,704
2,229	-	Commitments to issue letters of credit	2,229	-
197,399	138,968	Irrevocable lending commitments	160,601	85,557
<b>244,992</b>	<b>206,672</b>	<b>Total</b>	<b>208,194</b>	<b>153,261</b>
<b>4,043,111</b>	<b>4,772,743</b>	<b>Total credit risk exposure</b>	<b>3,933,835</b>	<b>4,656,359</b>

#### c) Risk concentrations of the maximum exposure to credit risk

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

The maximum Group's credit exposure to any client or counterparty as of 31 December 2011 was LTL 115 million or 21% of the capital base (31 December 2010: LTL 109 million or 22% of the capital base) before taking into account of collateral or other credit enhancements.

The maximum Bank's credit exposure to any client or counterparty (excluding subsidiaries) as of 31 December 2010 was LTL 112 million or 22% of the capital base (31 December 2010: LTL 109 million or 24% of the capital base) before taking into account of collateral or other credit enhancements.

As of 31 December 2011 and during the year the Group and the Bank complied with the maximum loan to one customer requirement established by Bank of Lithuania, according to which the total amount of loans granted to one customer and the customer's related parties may not exceed 25% of the Group's and the Bank's capital (Note 38).

As of 31 December 2011 and during the year the Group and the Bank complied with the large loans requirement established by Bank of Lithuania, according to which the total amounts of loans granted to one customers and the customer's related parties that exceed 10% of the Group's and the Bank's capital may not exceed 800% of the Group's and the Bank's capital (Note 38).

Exposures to top 10 borrowers comprise 42% of the Group's loans and finance lease receivable portfolio as of 31 December 2011.

The Group has several exposures totaling to LTL 428 million (accounted for in loans and finance lease receivable LTL 404 million and financial assets at fair value through profit or loss LTL 24 million) as of 31 December 2011, which have collaterals or investments concentrated in one geographical area. Fair value of such collaterals totals to LTL 458 million. The valuation of the collaterals was performed by independent certified appraiser using value in use (discounted cash flows) method. Discount rate of 9% was used for valuation purposes. The collateral value sensitivity to the changes in discount rate of 1 percentage point is: a decrease by LTL 26 million if the discount rate increased by 1 percentage point; an increase by LTL 28 million if the discount rate decreased by 1 percentage point.



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

The Group as of 31 December 2011:

	Telecom- munication services	Financials	Industrials	Informa- tion Techno- logy	Materials	Energy	Consumer Staples	Consumer Discre- tionary	Health Care	Utilities	Govern- ment	Other	Total
<b>Assets</b>													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	385,569	-	385,569
Loans and advances to banks and other credit institutions	-	121,729	-	-	-	-	-	-	-	-	-	-	121,729
Financial assets at fair value through profit or loss	-	55,202	233	-	-	1,216	-	-	-	-	12,222	-	68,873
Loans and finance lease receivable	-	1,388,804	125,162	-	24,428	9,079	154,119	552,606	10,779	2,881	88,487	267,804	2,624,149
Investment securities:													
<i>available-for-sale</i>	-	17,331	-	-	-	21	3	-	-	-	1,135	-	18,490
<i>held-to-maturity</i>	10,784	102,385	30,299	-	7,348	12,812	22,620	-	14,596	39,780	305,289	-	545,913
Other assets	-	-	-	-	-	-	-	-	-	-	-	33,396	33,396
<b>Total</b>	<b>10,784</b>	<b>1,685,451</b>	<b>155,694</b>	<b>-</b>	<b>31,776</b>	<b>23,128</b>	<b>176,742</b>	<b>552,606</b>	<b>25,375</b>	<b>42,661</b>	<b>792,702</b>	<b>301,200</b>	<b>3,798,119</b>

As of 31 December 2011, the Group's loans to real estate and construction sectors amounted to LTL'000 1,096,719. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector "Financials" and "Consumer Discretionary", respectively in the above presented table.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Group as of 31 December 2010:

	Telecom- munication services	Financials	Industrials	Informa- tion Techno- logy	Materials	Energy	Consumer Staples	Consumer Discre- tionary	Health Care	Utilities	Govern- ment	Other	Total
<b>Assets</b>													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	621,075	-	621,075
Loans and advances to banks and other credit institutions	-	547,693	-	-	-	-	-	-	-	-	-	-	547,693
Financial assets at fair value through profit or loss	842	38,447	1,347	414	637	2,793	245	411	112	962	28,626	-	74,836
Loans and finance lease receivable	-	1,431,183	141,951	-	31,276	17,316	91,603	578,792	7,290	34,139	13,410	269,800	2,616,760
Investment securities:													
<i>available-for-sale</i>	-	29,954	-	-	29	-	-	-	-	-	1,214	-	31,197
<i>held-to-maturity</i>	34,478	110,086	22,487	-	8,614	21,319	18,386	9,535	-	21,873	392,626	-	639,404
Other assets	-	-	-	-	-	-	-	-	-	-	-	35,106	35,106
<b>Total</b>	<b>35,320</b>	<b>2,157,363</b>	<b>165,785</b>	<b>414</b>	<b>40,556</b>	<b>41,428</b>	<b>110,234</b>	<b>588,738</b>	<b>7,402</b>	<b>56,974</b>	<b>1,056,951</b>	<b>304,906</b>	<b>4,566,071</b>

As of 31 December 2010, the Group's loans to real estate and construction sectors amounted to LTL'000 1,066,801. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector "Financials" and "Consumer Discretionary", respectively in the above presented table.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Bank as of 31 December 2011:

	Telecom- munication services	Financials	Industrials	Informa- tion Technology	Materials	Energy	Consumer Staples	Consumer Discretio- nary	Health Care	Utilities	Govern- ment	Other	Total
<b>Assets</b>													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	385,569	-	385,569
Loans and advances to banks and other credit institutions	-	111,195	-	-	-	-	-	-	-	-	-	-	111,195
Financial assets at fair value through profit or loss	-	24,549	-	-	-	-	-	-	-	-	-	-	24,549
Loans and finance lease receivable	-	1,267,000	113,239	-	17,298	9,079	150,432	519,843	10,779	2,547	88,487	103,690	2,282,394
Investment securities:													
<i>available-for-sale</i>	-	16,847	-	-	-	21	3	-	-	-	1,135	-	18,006
<i>held-to-maturity</i>	10,784	434,487	30,299	-	7,348	12,812	22,620	-	14,596	39,780	304,621	-	877,347
Other assets	-	-	-	-	-	-	-	-	-	-	-	26,581	26,581
<b>Total</b>	<b>10,784</b>	<b>1,854,078</b>	<b>143,538</b>	<b>-</b>	<b>24,646</b>	<b>21,912</b>	<b>173,055</b>	<b>519,843</b>	<b>25,375</b>	<b>42,327</b>	<b>779,812</b>	<b>130,271</b>	<b>3,725,641</b>

As of 31 December 2011, the Bank's loans to real estate and construction sectors amounted to LTL'000 717,288. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector „Financials“ and „Consumer Discretionary“ respectively in the above presented table.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Bank as of 31 December 2010:

	Telecom- munication services	Financials	Industrials	Informa- tion Technology	Materials	Energy	Consumer Staples	Consumer Discretio- nary	Health Care	Utilities	Govern- ment	Other	Total
<b>Assets</b>													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	621,075	-	621,075
Loans and advances to banks and other credit institutions	-	535,335	-	-	-	-	-	-	-	-	-	-	535,335
Financial assets at fair value through profit or loss	842	7,665	1,103	414	637	1,566	245	411	112	962	18,110	-	32,067
Loans and finance lease receivable	-	1,306,580	126,392	-	25,767	17,316	87,306	551,311	7,290	34,000	13,410	118,466	2,287,838
Investment securities: <i>available-for-sale</i>	-	29,519	-	-	-	-	-	-	-	-	1,214	-	30,733
<i>held-to-maturity</i>	34,478	438,952	22,487	-	8,614	21,319	18,386	9,535	-	21,873	392,197	-	967,841
Other assets	-	-	-	-	-	-	-	-	-	-	-	28,209	28,209
<b>Total</b>	<b>35,320</b>	<b>2,318,051</b>	<b>149,982</b>	<b>414</b>	<b>35,018</b>	<b>40,201</b>	<b>105,937</b>	<b>561,257</b>	<b>7,402</b>	<b>56,835</b>	<b>1,046,006</b>	<b>146,675</b>	<b>4,503,098</b>

As of 31 December 2010, the Bank's loans to real estate and construction sectors amounted to LTL'000 684,535. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector „Financials“ and „Consumer Discretionary“ respectively in the above presented table.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

As of 31 December 2011:

	The Group			The Bank		
	Higher rated countries	Lower rated countries	Total	Higher rated countries	Lower rated countries	Total
<b>Assets</b>						
Funds with central banks	385,569	-	<b>385,569</b>	385,569	-	<b>385,569</b>
Loans and advances to banks and other credit institutions	113,250	8,479	<b>121,729</b>	103,197	7,998	<b>111,195</b>
Financial assets at fair value through profit or loss	67,763	1,110	<b>68,873</b>	24,549	-	<b>24,549</b>
Loans and finance lease receivable	2,393,663	230,486	<b>2,624,149</b>	2,156,361	126,033	<b>2,282,394</b>
Investment securities:	555,590	8,813	<b>564,403</b>	890,070	5,283	<b>895,353</b>
<i>available-for-sale</i>	15,973	2,517	<b>18,490</b>	15,489	2,517	<b>18,006</b>
<i>held-to-maturity</i>	539,617	6,296	<b>545,913</b>	874,581	2,766	<b>877,347</b>
Other assets	26,919	6,477	<b>33,396</b>	26,577	4	<b>26,581</b>
<b>Total</b>	<b>3,542,754</b>	<b>255,365</b>	<b>3,798,119</b>	<b>3,586,323</b>	<b>139,318</b>	<b>3,725,641</b>

As of 31 December 2010:

	The Group			The Bank		
	Higher rated countries	Lower rated countries	Total	Higher rated countries	Lower rated countries	Total
<b>Assets</b>						
Funds with central banks	621,075	-	<b>621,075</b>	621,075	-	<b>621,075</b>
Loans and advances to banks and other credit institutions	528,685	19,008	<b>547,693</b>	516,738	18,597	<b>535,335</b>
Financial assets at fair value through profit or loss	70,982	3,854	<b>74,836</b>	29,551	2,516	<b>32,067</b>
Loans and finance lease receivable	2,309,190	307,570	<b>2,616,760</b>	2,074,090	213,748	<b>2,287,838</b>
Investment securities:	611,004	59,597	<b>670,601</b>	939,370	59,204	<b>998,574</b>
<i>available-for-sale</i>	28,000	3,197	<b>31,197</b>	27,536	3,197	<b>30,733</b>
<i>held-to-maturity</i>	583,004	56,400	<b>639,404</b>	911,834	56,007	<b>967,841</b>
Other assets	26,695	8,411	<b>35,106</b>	28,199	10	<b>28,209</b>
<b>Total</b>	<b>4,167,631</b>	<b>398,440</b>	<b>4,566,071</b>	<b>4,209,023</b>	<b>294,075</b>	<b>4,503,098</b>

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

As of 31 December 2011, largest single country concentrations of Group's financial assets without taking into account any collateral held or other credit enhancements were in Lithuania - 70.1%, USA - 9.3% (as of 31 December 2010: Lithuania - 61.5%, USA - 7.8%).

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### d) Credit quality of financial assets

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

For the counterparties that have external credit ratings, internal ratings are assigned based on the following principles: Grade 1 is assigned to counterparties that have a long-term credit rating of at least A-/A3; Grade 2 is assigned to counterparties that have a credit rating ranging from BBB+/Baa1 to BBB-/Baa3; Grade 3 is assigned to counterparties that have a credit rating ranging from BB+/Ba1 to B-/B3.

As of 31 December 2011 the Group's financial assets by internal credit ratings were as follows.

The Group	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	385,569	-	-	-	-	-	385,569
Loans and advances to banks and other credit institutions	86,840	16,667	18,076	146	-	-	121,729
Financial assets at fair value through profit or loss	9,800	58,220	832	21	-	-	68,873
Loans and finance lease receivable:	170,269	913,772	950,103	241,765	1,478	346,762	2,624,149
<i>loans to SMEs</i>	8,187	179,204	757,571	203,737	34	233,709	1,382,442
<i>loans to other enterprises</i>	12,911	673,763	182,584	32,635	-	29,672	931,565
<i>loans to financial institutions</i>	-	4,138	-	-	-	-	4,138
<i>loans to individuals</i>	149,171	56,667	9,948	5,393	1,444	83,381	306,004
Investment securities:	371,300	188,741	831	3,531	-	-	564,403
<i>available-for-sale</i>	-	17,659	831	-	-	-	18,490
<i>held-to-maturity</i>	371,300	171,082	-	3,531	-	-	545,913
Other assets	2,012	31,371	-	-	-	13	33,396
<b>Total</b>	<b>1,025,790</b>	<b>1,208,771</b>	<b>969,842</b>	<b>245,463</b>	<b>1,478</b>	<b>346,775</b>	<b>3,798,119</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2010 the Group's financial assets by internal credit ratings were as follows.

The Group	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	621,075	-	-	-	-	-	621,075
Loans and advances to banks and other credit institutions	463,217	79,869	4,606	1	-	-	547,693
Financial assets at fair value through profit or loss	18,758	52,223	3,160	695	-	-	74,836
Loans and finance lease receivable:	159,401	765,268	1,003,155	249,912	2,083	436,941	2,616,760
<i>loans to SMEs</i>	6,348	81,777	800,969	216,153	264	242,415	1,347,926
<i>loans to other enterprises</i>	13,709	610,638	192,473	29,259	-	116,368	962,447
<i>loans to financial institutions</i>	-	3,986	-	-	-	-	3,986
<i>loans to individuals</i>	139,344	68,867	9,713	4,500	1,819	78,158	302,401
Investment securities:	389,378	219,932	56,845	3,940	-	506	670,601
<i>available-for-sale</i>	6,130	10,875	10,135	3,551	-	506	31,197
<i>held-to-maturity</i>	383,248	209,057	46,710	389	-	-	639,404
Other assets	1	32,978	2,079	-	-	48	35,106
<b>Total</b>	<b>1,651,830</b>	<b>1,150,270</b>	<b>1,069,845</b>	<b>254,548</b>	<b>2,083</b>	<b>437,495</b>	<b>4,566,071</b>

As of 31 December 2011 the Bank's financial assets by internal credit ratings were as follows.

The Bank	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	385,569	-	-	-	-	-	385,569
Loans and advances to banks and other credit institutions	84,009	16,670	10,370	146	-	-	111,195
Financial assets at fair value through profit or loss	-	24,549	-	-	-	-	24,549
Loans and finance lease receivable:	35,751	902,336	785,357	240,762	1,478	316,710	2,282,394
<i>loans to SMEs</i>	8,135	164,650	586,280	202,734	34	205,276	1,167,109
<i>loans to other enterprises</i>	12,911	342,931	189,129	32,635	-	29,015	606,621
<i>loans to financial institutions</i>	-	338,089	-	-	-	28,687	366,776
<i>loans to individuals</i>	14,705	56,666	9,948	5,393	1,444	53,732	141,888
Investment securities:	370,769	523,753	831	-	-	-	895,353
<i>available-for-sale</i>	-	17,175	831	-	-	-	18,006
<i>held-to-maturity</i>	370,769	506,578	-	-	-	-	877,347
Other assets	2,012	24,556	-	-	-	13	26,581
<b>Total</b>	<b>878,110</b>	<b>1,491,864</b>	<b>796,558</b>	<b>240,908</b>	<b>1,478</b>	<b>316,723</b>	<b>3,725,641</b>

## AB ÜKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2010 the Bank's financial assets by internal credit ratings were as follows.

The Bank	Neither past due nor individually impaired					Past due or individually impaired	Total
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		
Funds with central banks	621,075	-	-	-	-	-	621,075
Loans and advances to banks and other credit institutions	460,620	70,520	4,194	1	-	-	535,335
Financial assets at fair value through profit or loss	9,819	20,322	1,926	-	-	-	32,067
Loans and finance lease receivable:	32,453	754,436	885,455	246,951	2,076	366,467	2,287,838
<i>loans to SMEs</i>	2,915	73,668	634,213	213,192	264	197,261	1,121,513
<i>loans to other enterprises</i>	13,709	296,700	202,273	29,259	-	114,810	656,751
<i>loans to financial institutions</i>	-	315,309	39,408	-	-	-	354,717
<i>loans to individuals</i>	15,829	68,759	9,561	4,500	1,812	54,396	154,857
Investment securities:	389,096	548,690	56,731	3,551	-	506	998,574
<i>available-for-sale</i>	6,130	10,411	10,135	3,551	-	506	30,733
<i>held-to-maturity</i>	382,966	538,279	46,596	-	-	-	967,841
Other assets	1	26,081	2,079	-	-	48	28,209
<b>Total</b>	<b>1,513,064</b>	<b>1,420,049</b>	<b>950,385</b>	<b>250,503</b>	<b>2,076</b>	<b>367,021</b>	<b>4,503,098</b>



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### e) Aging analysis of financial assets

As of 31 December 2011 the Group's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired					TOTAL	
		<= 30 days	31-60 days	61 days – 1 year	Over 1 year	Total	not past due	<=30 days	31-60 days	61 days – 1 year	Over 1 year		Total
Funds with central banks	385,569	-	-	-	-	-	-	-	-	-	-	-	385,569
Loans and advances to banks and other credit institutions	121,729	-	-	-	-	-	-	-	-	-	-	-	121,729
Financial assets at fair value through profit or loss	68,873	-	-	-	-	-	-	-	-	-	-	-	68,873
Loans and finance lease receivable	2,277,387	72,130	22,638	34,426	61,835	191,029	23,292	4,386	4,252	26,053	97,750	155,733	2,624,149
<i>loans to SMEs</i>	1,148,733	38,591	3,799	31,973	47,948	122,311	5,707	3,645	3,399	18,513	80,134	111,398	1,382,442
<i>loans to other enterprises</i>	901,893	11,985	765	-	-	12,750	16,602	-	-	-	320	16,922	931,565
<i>loans to financial institutions</i>	4,138	-	-	-	-	-	-	-	-	-	-	-	4,138
<i>loans to individuals</i>	222,623	21,554	18,074	2,453	13,887	55,968	983	741	853	7,540	17,296	27,413	306,004
Investment securities:	564,403	-	-	-	-	-	-	-	-	-	-	-	564,403
<i>available-for-sale</i>	18,490	-	-	-	-	-	-	-	-	-	-	-	18,490
<i>held-to-maturity</i>	545,913	-	-	-	-	-	-	-	-	-	-	-	545,913
Other assets	33,383	-	7	-	-	7	-	-	-	6	-	6	33,396
<b>Total</b>	<b>3,451,344</b>	<b>72,130</b>	<b>22,645</b>	<b>34,426</b>	<b>61,835</b>	<b>191,036</b>	<b>23,292</b>	<b>4,386</b>	<b>4,252</b>	<b>26,059</b>	<b>97,750</b>	<b>155,739</b>	<b>3,798,119</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2010 the Group's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired					TOTAL	
		<= 30 days	31-60 days	61 days – 1 year	Over 1 year	Total	not past due	<=30 days	31-60 days	61 days – 1 year	Over 1 year		Total
Funds with central banks	621,075	-	-	-	-	-	-	-	-	-	-	-	621,075
Loans and advances to banks and other credit institutions	547,693	-	-	-	-	-	-	-	-	-	-	-	547,693
Financial assets at fair value through profit or loss	74,836	-	-	-	-	-	-	-	-	-	-	-	74,836
Loans and finance lease receivable	2,179,819	45,302	6,835	39,285	41,924	133,346	136,873	4,630	10,435	38,547	113,110	303,595	2,616,760
<i>loans to SMEs</i>	1,105,511	22,198	4,966	32,509	30,253	89,926	16,968	4,168	6,142	30,771	94,440	152,489	1,347,926
<i>loans to other enterprises</i>	846,079	5,177	71	-	974	6,222	107,677	-	-	-	2,469	110,146	962,447
<i>loans to financial institutions</i>	3,986	-	-	-	-	-	-	-	-	-	-	-	3,986
<i>loans to individuals</i>	224,243	17,927	1,798	6,776	10,697	37,198	12,228	462	4,293	7,776	16,201	40,960	302,401
Investment securities:	670,095	-	-	-	-	-	286	-	-	220	-	506	670,601
<i>available-for-sale</i>	30,691	-	-	-	-	-	286	-	-	220	-	506	31,197
<i>held-to-maturity</i>	639,404	-	-	-	-	-	-	-	-	-	-	-	639,404
Other assets	35,058	30	17	-	-	47	-	-	-	-	1	1	35,106
<b>Total</b>	<b>4,128,576</b>	<b>45,332</b>	<b>6,852</b>	<b>39,285</b>	<b>41,924</b>	<b>133,393</b>	<b>137,159</b>	<b>4,630</b>	<b>10,435</b>	<b>38,767</b>	<b>113,111</b>	<b>304,102</b>	<b>4,566,071</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2011 the Bank's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired				Total	Individually impaired					Total	TOTAL	
		<= 30 days	31-60 days	61 days – 1 year	Over 1 year		Not past due	<=30 days	31-60 days	61 days – 1 year	Over 1 year			
Funds with central banks	385,569	-	-	-	-	-	-	-	-	-	-	-	-	385,569
Loans and advances to banks and other credit institutions	111,195	-	-	-	-	-	-	-	-	-	-	-	-	111,195
Financial assets at fair value through profit or loss	24,549	-	-	-	-	-	-	-	-	-	-	-	-	24,549
Loans and finance lease receivable	1,965,684	54,300	15,125	30,316	50,751	150,492	51,057	3,831	4,173	17,837	89,320	166,218	2,282,394	
<i>loans to SMEs</i>	961,833	36,038	2,556	28,100	36,881	103,575	4,960	3,148	3,399	15,748	74,446	101,701	1,167,109	
<i>loans to other enterprises</i>	577,606	11,648	765	-	-	12,413	16,602	-	-	-	-	16,602	606,621	
<i>loans to financial institutions</i>	338,089	-	-	-	-	-	28,687	-	-	-	-	28,687	366,776	
<i>loans to individuals</i>	88,156	6,614	11,804	2,216	13,870	34,504	808	683	774	2,089	14,874	19,228	141,888	
Investment securities:	895,353	-	-	-	-	-	-	-	-	-	-	-	895,353	
<i>available-for-sale</i>	18,006	-	-	-	-	-	-	-	-	-	-	-	18,006	
<i>held-to-maturity</i>	877,347	-	-	-	-	-	-	-	-	-	-	-	877,347	
Other assets	26,568	-	7	-	-	7	-	-	-	6	-	6	26,581	
<b>Total</b>	<b>3,408,918</b>	<b>54,300</b>	<b>15,132</b>	<b>30,316</b>	<b>50,751</b>	<b>150,499</b>	<b>51,057</b>	<b>3,831</b>	<b>4,173</b>	<b>17,843</b>	<b>89,320</b>	<b>166,224</b>	<b>3,725,641</b>	

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2010 the Bank's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired				Total	Individually impaired					Total	TOTAL	
		<= 30 days	31-60 days	61 days – 1 year	Over 1 year		Not past due	<=30 days	31-60 days	61 days – 1 year	Over 1 year			
Funds with central banks	621,075	-	-	-	-	-	-	-	-	-	-	-	-	621,075
Loans and advances to banks and other credit institutions	535,335	-	-	-	-	-	-	-	-	-	-	-	-	535,335
Financial assets at fair value through profit or loss	32,067	-	-	-	-	-	-	-	-	-	-	-	-	32,067
Loans and finance lease receivable	1,921,371	14,803	4,376	34,572	39,120	92,871	135,802	4,361	6,741	20,033	106,659	273,596	2,287,838	
<i>loans to SMEs</i>	924,252	4,661	2,620	27,973	28,462	63,716	16,222	4,058	5,952	17,010	90,303	133,545	1,121,513	
<i>loans to other enterprises</i>	541,941	4,701	-	-	-	4,701	107,677	-	-	-	2,432	110,109	656,751	
<i>loans to financial institutions</i>	354,717	-	-	-	-	-	-	-	-	-	-	-	354,717	
<i>loans to individuals</i>	100,461	5,441	1,756	6,599	10,658	24,454	11,903	303	789	3,023	13,924	29,942	154,857	
Investment securities:	998,068	-	-	-	-	-	286	-	-	220	-	506	998,574	
<i>available-for-sale</i>	30,227	-	-	-	-	-	286	-	-	220	-	506	30,733	
<i>held-to-maturity</i>	967,841	-	-	-	-	-	-	-	-	-	-	-	967,841	
Other assets	28,161	30	17	-	-	47	-	-	-	-	1	1	28,209	
<b>Total</b>	<b>4,136,077</b>	<b>14,833</b>	<b>4,393</b>	<b>34,572</b>	<b>39,120</b>	<b>92,918</b>	<b>136,088</b>	<b>4,361</b>	<b>6,741</b>	<b>20,253</b>	<b>106,660</b>	<b>274,103</b>	<b>4,503,098</b>	

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### f) Impairment of financial assets

As of 31 December 2011, amounts of provisions for the impairment of the assets per class of financial assets were as follows:

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	385,569	-	385,569	385,569	-	385,569
Loans and advances to banks and other credit institutions	122,795	(1,066)	121,729	111,195	-	111,195
Financial assets at fair value through profit or loss	68,873	-	68,873	24,549	-	24,549
Loans and finance lease receivable:	2,843,626	(219,477)	2,624,149	2,480,611	(198,217)	2,282,394
<i>loans to SMEs</i>	1,545,499	(163,057)	1,382,442	1,322,418	(155,309)	1,167,109
<i>loans to other enterprises</i>	943,640	(12,075)	931,565	618,262	(11,641)	606,621
<i>loans to financial institutions</i>	4,138	-	4,138	369,576	(2,800)	366,776
<i>loans to individuals</i>	350,349	(44,345)	306,004	170,355	(28,467)	141,888
Investment securities:	565,604	(1,201)	564,403	896,554	(1,201)	895,353
<i>available-for-sale</i>	18,490	-	18,490	18,006	-	18,006
<i>held-to-maturity</i>	547,114	(1,201)	545,913	878,548	(1,201)	877,347
Other assets	35,140	(1,744)	33,396	27,958	(1,377)	26,581
<b>Total</b>	<b>4,021,607</b>	<b>(223,488)</b>	<b>3,798,119</b>	<b>3,926,436</b>	<b>(200,795)</b>	<b>3,725,641</b>

As of 31 December 2011, provisions for impairment of financial assets of the Group and the Bank include LTL'000 3,071 (31 December 2010: LTL'000 nil) provisions for financial assets that are not individually impaired but are collectively assessed for the impairment.

As of 31 December 2010, amounts of provisions for the impairment of the assets per class of financial assets were as follows:

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	621,075	-	621,075	621,075	-	621,075
Loans and advances to banks and other credit institutions	547,693	-	547,693	535,335	-	535,335
Financial assets at fair value through profit or loss	74,836	-	74,836	32,067	-	32,067
Loans and finance lease receivable:	2,834,474	(217,714)	2,616,760	2,479,812	(191,974)	2,287,838
<i>loans to SMEs</i>	1,497,012	(149,086)	1,347,926	1,263,482	(141,969)	1,121,513
<i>loans to other enterprises</i>	983,325	(20,878)	962,447	677,403	(20,652)	656,751
<i>loans to financial institutions</i>	3,986	-	3,986	354,717	-	354,717
<i>loans to individuals</i>	350,151	(47,750)	302,401	184,210	(29,353)	154,857
Investment securities:	676,770	(6,169)	670,601	1,004,743	(6,169)	998,574
<i>available-for-sale</i>	37,366	(6,169)	31,197	36,902	(6,169)	30,733
<i>held-to-maturity</i>	639,404	-	639,404	967,841	-	967,841
Other assets	35,527	(421)	35,106	28,625	(416)	28,209
<b>Total</b>	<b>4,790,375</b>	<b>(224,304)</b>	<b>4,566,071</b>	<b>4,701,657</b>	<b>(198,559)</b>	<b>4,503,098</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

The Group	Loans and advances to banks and other credit institutions	Loans and finance lease receivable:				Investment securities available-for-sale	Investment securities held-to-maturity	Other assets	Total	
		Loans to financial institutions	Loans to SMEs	Loans to other enterprises	Loans to individuals					
<b>As of 1 January 2010</b>	<b>1</b>	-	<b>127,135</b>	<b>34,920</b>	<b>43,063</b>	<b>205,118</b>	-	-	<b>504</b>	<b>205,623</b>
Reversal of provisions	(41)	-	(74,908)	(32,486)	(18,438)	(125,832)	-	-	(307)	(126,180)
Provisions written-off	-	-	(834)	-	(12,042)	(12,876)	-	-	(15)	(12,891)
Currency exchange rate effect	-	-	610	142	76	828	-	-	3	831
Provision charged	40	-	97,083	18,302	35,091	150,476	6,169	-	236	156,921
<b>As of 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>149,086</b>	<b>20,878</b>	<b>47,750</b>	<b>217,714</b>	<b>6,169</b>	<b>-</b>	<b>421</b>	<b>224,304</b>
Reversal of provisions	(524)	-	(103,769)	(19,827)	(23,949)	(147,545)	-	-	(82)	(148,151)
Provisions written-off	-	-	(213)	-	(5,204)	(5,417)	(9,025)	-	(2)	(14,444)
Currency exchange rate effect	-	-	1,097	28	9	1,134	(252)	92	46	1,020
Provision charged	1,590	-	116,856	10,996	25,739	153,591	3,108	1,109	1,361	160,759
<b>As of 31 December 2011</b>	<b>1,066</b>	<b>-</b>	<b>163,057</b>	<b>12,075</b>	<b>44,345</b>	<b>219,477</b>	<b>-</b>	<b>1,201</b>	<b>1,744</b>	<b>223,488</b>

The Bank	Loans and advances to banks and other credit institutions	Loans and finance lease receivable:				Investment securities available-for-sale	Investment securities held-to-maturity	Other assets	Total	
		Loans to financial institutions	Loans to SMEs	Loans to other enterprises	Loans to individuals					
<b>As of 1 January 2010</b>	<b>1</b>	-	<b>119,504</b>	<b>33,427</b>	<b>23,629</b>	<b>176,560</b>	-	-	<b>501</b>	<b>177,062</b>
Reversal of provisions	(41)	(2,500)	(72,838)	(31,077)	(18,438)	(124,853)	-	-	(307)	(125,201)
Provisions written-off	-	-	-	-	(9)	(9)	-	-	(15)	(24)
Currency exchange rate effect	-	-	279	-	7	286	-	-	3	289
Provision charged	40	2,500	95,024	18,302	24,164	139,990	6,169	-	234	146,433
<b>As of 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>141,969</b>	<b>20,652</b>	<b>29,353</b>	<b>191,974</b>	<b>6,169</b>	<b>-</b>	<b>416</b>	<b>198,559</b>
Reversal of provisions	(524)	-	(103,076)	(19,825)	(23,949)	(146,850)	-	-	(82)	(147,456)
Provisions written-off	-	-	-	-	-	-	(9,025)	-	-	(9,025)
Currency exchange rate effect	-	-	1,125	10	7	1,142	(252)	92	45	1,027
Provision charged	524	2,800	115,291	10,804	23,056	151,951	3,108	1,109	998	157,690
<b>As of 31 December 2011</b>	<b>-</b>	<b>2,800</b>	<b>155,309</b>	<b>11,641</b>	<b>28,467</b>	<b>198,217</b>	<b>-</b>	<b>1,201</b>	<b>1,377</b>	<b>200,795</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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

The Group			The Bank	
2011	2010		2011	2010
		<b>Provisions for non-financial assets:</b>		
-	-	Balance as of 1 January	-	-
125	-	Currency exchange effect	-	-
(790)	(4,088)	Provisions written-off	-	-
3,338	4,088	Provisions charged	2,715	-
<b>2,673</b>	<b>-</b>	<b>Balance as of 31 December</b>	<b>2,715</b>	<b>-</b>

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

The Group			The Bank	
2011	2010		2011	2010
		<b>Provisions for off-balance sheet items:</b>		
138	128	Balance as of 1 January	138	128
(127)	(1)	Reversal of provisions	(127)	(1)
(10)	10	Currency exchange effect	(10)	10
-	1	Provisions charged	-	1
<b>1</b>	<b>138</b>	<b>Balance as of 31 December</b>	<b>1</b>	<b>138</b>

Impairment charge reconciles to the income statement as follows:

The Group			The Bank	
2011	2010		2011	2010
160,759	156,921	Provisions charged for financial assets	157,690	146,433
(148,151)	(126,180)	Provisions reversed for financial assets	(147,456)	(125,201)
3,338	4,088	Provisions charged for non-financial assets	2,715	-
-	1	Provisions charged for off-balance sheet items	-	1
(127)	(1)	Provisions reversed for off-balance sheet items	(127)	(1)
<b>15,819</b>	<b>34,829</b>	<b>Provisions charged to profit or loss</b>	<b>12,822</b>	<b>21,232</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### g) Collateral and other credit enhancements

The Group as of 31 December 2011:

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	385,569	-	385,569	-	-	-	-	-	-	385,569	-	385,569
Loans and advances to banks and other credit institutions	121,729	15	121,714	-	-	-	-	-	-	121,729	15	121,714
Financial assets at fair value through profit or loss	68,873	-	68,873	-	-	-	-	-	-	68,873	-	68,873
Loans and finance lease receivable:	2,277,387	1,928,866	348,521	191,029	133,751	57,278	155,733	143,950	11,783	2,624,149	2,206,567	417,582
<i>loans to SMEs</i>	1,148,733	1,067,667	81,066	122,311	89,884	32,427	111,398	108,622	2,776	1,382,442	1,266,173	116,269
<i>loans to other enterprises</i>	901,893	785,719	116,174	12,750	11,921	829	16,922	16,543	379	931,565	814,183	117,382
<i>loans to financial institutions</i>	4,138	4,072	66	-	-	-	-	-	-	4,138	4,072	66
<i>loans to individuals</i>	222,623	71,408	151,215	55,968	31,946	24,022	27,413	18,785	8,628	306,004	122,139	183,865
Investment securities:	564,403	-	564,403	-	-	-	-	-	-	564,403	-	564,403
<i>available-for-sale</i>	18,490	-	18,490	-	-	-	-	-	-	18,490	-	18,490
<i>held-to-maturity</i>	545,913	-	545,913	-	-	-	-	-	-	545,913	-	545,913
Other assets	33,383	-	33,383	7	-	7	6	-	6	33,396	-	33,396
<b>Total</b>	<b>3,451,344</b>	<b>1,928,881</b>	<b>1,522,463</b>	<b>191,036</b>	<b>133,751</b>	<b>57,285</b>	<b>155,739</b>	<b>143,950</b>	<b>11,789</b>	<b>3,798,119</b>	<b>2,206,582</b>	<b>1,591,537</b>



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Group as of 31 December 2010:

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	621,075	-	621,075	-	-	-	-	-	-	621,075	-	621,075
Loans and advances to banks and other credit institutions	547,693	35	547,658	-	-	-	-	-	-	547,693	35	547,658
Financial assets at fair value through profit or loss	74,836	-	74,836	-	-	-	-	-	-	74,836	-	74,836
Loans and finance lease receivable:	2,179,819	1,997,355	182,464	133,346	120,660	12,686	303,595	292,464	11,131	2,616,760	2,410,479	206,281
<i>loans to SMEs</i>	1,105,511	1,080,380	25,131	89,926	89,521	405	152,489	152,402	87	1,347,926	1,322,303	25,623
<i>loans to other enterprises</i>	846,079	816,407	29,672	6,222	6,222	-	110,146	110,034	112	962,447	932,663	29,784
<i>loans to financial institutions</i>	3,986	3,986	-	-	-	-	-	-	-	3,986	3,986	-
<i>loans to individuals</i>	224,243	96,582	127,661	37,198	24,917	12,281	40,960	30,028	10,932	302,401	151,527	150,874
Investment securities:	670,095	-	670,095	-	-	-	506	-	506	670,601	-	670,601
<i>available-for-sale</i>	30,691	-	30,691	-	-	-	506	-	506	31,197	-	31,197
<i>held-to-maturity</i>	639,404	-	639,404	-	-	-	-	-	-	639,404	-	639,404
Other assets	35,058	-	35,058	47	-	47	1	-	1	35,106	-	35,106
<b>Total</b>	<b>4,128,576</b>	<b>1,997,390</b>	<b>2,131,186</b>	<b>133,393</b>	<b>120,660</b>	<b>12,733</b>	<b>304,102</b>	<b>292,464</b>	<b>11,638</b>	<b>4,566,071</b>	<b>2,410,514</b>	<b>2,155,557</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Bank as of 31 December 2011:

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	385,569	-	385,569	-	-	-	-	-	-	385,569	-	385,569
Loans and advances to banks and other credit institutions	111,195	15	111,180	-	-	-	-	-	-	111,195	15	111,180
Financial assets at fair value through profit or loss	24,549	-	24,549	-	-	-	-	-	-	24,549	-	24,549
Loans and finance lease receivable:	1,965,684	1,431,718	533,966	150,492	127,343	23,149	166,218	135,976	30,242	2,282,394	1,695,037	587,357
<i>loans to SMEs</i>	961,833	901,324	60,509	103,575	83,627	19,948	101,701	101,699	2	1,167,109	1,086,650	80,459
<i>loans to other enterprises</i>	577,606	456,016	121,590	12,413	11,921	492	16,602	16,503	99	606,621	484,440	122,181
<i>loans to financial institutions</i>	338,089	4,072	334,017	-	-	-	28,687	-	28,687	366,776	4,072	362,704
<i>loans to individuals</i>	88,156	70,306	17,850	34,504	31,795	2,709	19,228	17,774	1,454	141,888	119,875	22,013
Investment securities:	895,353	-	895,353	-	-	-	-	-	-	895,353	-	895,353
<i>available-for-sale</i>	18,006	-	18,006	-	-	-	-	-	-	18,006	-	18,006
<i>held-to-maturity</i>	877,347	-	877,347	-	-	-	-	-	-	877,347	-	877,347
Other assets	26,568	-	26,568	7	-	7	6	-	6	26,581	-	26,581
<b>Total</b>	<b>3,408,918</b>	<b>1,431,733</b>	<b>1,977,185</b>	<b>150,499</b>	<b>127,343</b>	<b>23,156</b>	<b>166,224</b>	<b>135,976</b>	<b>30,248</b>	<b>3,725,641</b>	<b>1,695,052</b>	<b>2,030,589</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The Bank as of 31 December 2010:

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	621,075	-	621,075	-	-	-	-	-	-	621,075	-	621,075
Loans and advances to banks and other credit institutions	535,335	35	535,300	-	-	-	-	-	-	535,335	35	535,300
Financial assets at fair value through profit or loss	32,067	-	32,067	-	-	-	-	-	-	32,067	-	32,067
Loans and finance lease receivable:	1,921,371	1,480,693	440,678	92,871	90,014	2,857	273,596	271,551	2,045	2,287,838	1,842,258	445,580
<i>loans to SMEs</i>	924,252	899,154	25,098	63,716	63,341	375	133,545	133,524	21	1,121,513	1,096,019	25,494
<i>loans to other enterprises</i>	541,941	501,771	40,170	4,701	4,701	-	110,109	109,997	112	656,751	616,469	40,282
<i>loans to financial institutions</i>	354,717	3,986	350,731	-	-	-	-	-	-	354,717	3,986	350,731
<i>loans to individuals</i>	100,461	75,782	24,679	24,454	21,972	2,482	29,942	28,030	1,912	154,857	125,784	29,073
Investment securities:	998,068	-	998,068	-	-	-	506	-	506	998,574	-	998,574
<i>available-for-sale</i>	30,227	-	30,227	-	-	-	506	-	506	30,733	-	30,733
<i>held-to-maturity</i>	967,841	-	967,841	-	-	-	-	-	-	967,841	-	967,841
Other assets	28,161	-	28,161	47	-	47	1	-	1	28,209	-	28,209
<b>Total</b>	<b>4,136,077</b>	<b>1,480,728</b>	<b>2,655,349</b>	<b>92,918</b>	<b>90,014</b>	<b>2,904</b>	<b>274,103</b>	<b>271,551</b>	<b>2,552</b>	<b>4,503,098</b>	<b>1,842,293</b>	<b>2,660,805</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

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#### h) Financial assets which terms have been renegotiated

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

<b>The Group</b>			<b>The Bank</b>	
<b>31.12.2011</b>	<b>31.12.2010</b>		<b>31.12.2011</b>	<b>31.12.2010</b>
-	-	Funds with central banks	-	-
-	-	Loans and advances to banks and other financial institutions	-	-
-	-	Financial assets at fair value through profit or loss	-	-
462,935	304,631	Loans and finance lease receivable:	303,149	304,631
324,098	164,228	<i>loans to SMEs</i>	164,312	164,228
136,611	137,031	<i>loans to other enterprises</i>	136,611	137,031
-	-	<i>loans to financial institutions</i>	-	-
2,226	3,372	<i>loans to individuals</i>	2,226	3,372
-	-	Investment securities:	-	-
-	-	<i>available for sale</i>	-	-
-	-	<i>held to maturity</i>	-	-
-	-	Other assets	-	-
<b>462,935</b>	<b>304,631</b>	<b>Total</b>	<b>303,149</b>	<b>304,631</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 34 LIQUIDITY RISK AND FUNDING MANAGEMENT

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

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

As of 31 December 2011 the Group's assets and liabilities by maturity were as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and up	Undefined period	Total
<b>Assets</b>							
Cash and balances with central bank	489,622	-	-	-	-	-	489,622
Loans and advances to banks and credit institutions	110,438	3,751	4,844	2,342	-	354	121,729
Financial assets at fair value through profit or loss	1,096	615	969	8,908	5,098	52,187	68,873
Loans and finance lease receivable	593,961	235,018	748,518	660,959	201,936	183,757	2,624,149
Investment securities:	1,095	7,945	63,614	469,814	11,218	10,717	564,403
<i>available-for-sale</i>	80	5	-	-	7,688	10,717	18,490
<i>held-to-maturity</i>	1,015	7,940	63,614	469,814	3,530	-	545,913
Intangible assets	-	-	-	-	-	20,656	20,656
Property, plant and equipment	-	-	-	-	-	25,803	25,803
Investment property	-	-	-	-	-	236,350	236,350
Deferred income tax assets	-	-	-	-	-	17,110	17,110
Assets classified as held for sale	-	-	12,945	-	-	-	12,945
Other assets	8,737	824	3,078	5,397	1,338	125,190	144,564
<b>Total assets</b>	<b>1,204,949</b>	<b>248,153</b>	<b>833,968</b>	<b>1,147,420</b>	<b>219,590</b>	<b>672,124</b>	<b>4,326,204</b>
<b>Liabilities</b>							
Due to banks and other credit institutions	15,697	58	4,697	357	-	-	20,809
Financial liabilities at fair value through profit or loss	3	-	-	-	-	-	3
Due to customers	1,572,450	471,119	1,069,801	313,765	10,533	-	3,437,668
Debt securities in issue	-	13,895	179,616	-	-	-	193,511
Subordinated loans	638	-	-	-	93,226	-	93,864
Deferred tax liabilities	-	-	-	-	-	20,884	20,884
Liabilities directly associated with assets classified as held for sale	-	-	6	-	-	-	6
Other liabilities	35,157	300	1,298	4,313	36,429	519	78,016
<b>Total liabilities</b>	<b>1,623,945</b>	<b>485,372</b>	<b>1,255,418</b>	<b>318,435</b>	<b>140,188</b>	<b>21,403</b>	<b>3,844,761</b>
<b>Net position</b>	<b>(418,996)</b>	<b>(237,219)</b>	<b>(421,450)</b>	<b>828,985</b>	<b>79,402</b>	<b>650,721</b>	<b>481,443</b>

As of 31 December 2010 the Group's assets and liabilities by maturity were as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and up	Undefined period	Total
<b>Total assets</b>	1,468,801	468,611	1,334,843	893,991	233,582	610,875	<b>5,010,703</b>
<b>Total liabilities</b>	1,704,724	647,550	1,845,737	218,669	143,638	21,394	<b>4,581,712</b>
<b>Net position</b>	<b>(235,923)</b>	<b>(178,939)</b>	<b>(510,894)</b>	<b>675,322</b>	<b>89,944</b>	<b>589,481</b>	<b>428,991</b>

## AB ÜKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2011 the Bank's assets and liabilities by maturity were as follows:

	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>5 years and up</b>	<b>Undefined period</b>	<b>Total</b>
<b>Assets</b>							
Cash and balances with central bank	489,622	-	-	-	-	-	489,622
Loans and advances to banks and other credit institutions	109,383	-	1,372	86	-	354	111,195
Financial assets at fair value through profit or loss	1,052	-	-	-	-	23,497	24,549
Loans and finance lease receivable	581,444	211,177	641,603	551,370	142,380	154,420	2,282,394
Investment securities:	337,159	7,933	63,320	469,020	7,688	10,233	895,353
<i>available-for-sale</i>	80	5	-	-	7,688	10,233	18,006
<i>held-to-maturity</i>	337,079	7,928	63,320	469,020	-	-	877,347
Investments in subsidiaries	-	-	-	-	-	239,164	239,164
Intangible assets	-	-	-	-	-	1,556	1,556
Property, plant and equipment	-	-	-	-	-	24,022	24,022
Investment property	-	-	-	-	-	6,031	6,031
Deferred income tax assets	-	-	-	-	-	15,796	15,796
Other assets	2,726	697	1,642	5,131	1,338	119,201	130,735
<b>Total assets</b>	<b>1,521,386</b>	<b>219,807</b>	<b>707,937</b>	<b>1,025,607</b>	<b>151,406</b>	<b>594,274</b>	<b>4,220,417</b>
<b>Liabilities</b>							
Due to banks and other credit institutions	15,697	58	4,697	357	-	-	20,809
Financial liabilities at fair value through profit or loss	3	-	-	-	-	-	3
Due to customers	1,573,821	473,931	1,069,801	312,039	8,843	-	3,438,435
Debt securities in issue	-	13,895	181,035	-	-	-	194,930
Subordinated loans	638	-	-	-	93,226	-	93,864
Other liabilities	20,122	14	21	-	-	1	20,158
<b>Total liabilities</b>	<b>1,610,281</b>	<b>487,898</b>	<b>1,255,554</b>	<b>312,396</b>	<b>102,069</b>	<b>1</b>	<b>3,768,199</b>
<b>Net position</b>	<b>(88,895)</b>	<b>(268,091)</b>	<b>(547,617)</b>	<b>713,211</b>	<b>49,337</b>	<b>594,273</b>	<b>452,218</b>

As of 31 December 2010 the Bank's assets and liabilities by maturity were as follows:

<b>Total assets</b>	1,710,053	818,098	899,419	787,872	160,751	547,053	<b>4,923,246</b>
<b>Total liabilities</b>	1,701,778	652,314	1,845,283	213,120	105,721	-	<b>4,518,216</b>
<b>Net position</b>	<b>8,275</b>	<b>165,784</b>	<b>(945,864)</b>	<b>574,752</b>	<b>55,030</b>	<b>547,053</b>	<b>405,030</b>

## AB ÜKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The remaining contractual maturities of liabilities of the Group as of 31 December 2011 are presented below:

	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>5 years and up</b>	<b>Undefined period</b>	<b>Total</b>
<b>Liabilities</b>							
Due to banks and other credit institutions	15,698	58	4,831	364	-	-	20,951
Financial liabilities at fair value through profit or loss	3	-	-	-	-	-	3
Due to customers	1,573,180	474,364	1,088,243	329,374	14,923	-	3,480,084
Debt securities in issue	-	13,895	179,616	-	-	-	193,511
Subordinated loans	1,295	-	5,908	31,510	101,891	-	140,604
Other liabilities	43,923	317	1,317	4,313	36,429	519	86,818
<b>Total liabilities</b>	<b>1,634,099</b>	<b>488,634</b>	<b>1,279,915</b>	<b>365,561</b>	<b>153,243</b>	<b>519</b>	<b>3,921,971</b>

The remaining contractual maturities of liabilities of the Bank as of 31 December 2011 are presented below:

	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>5 years and up</b>	<b>Undefined period</b>	<b>Total</b>
<b>Liabilities</b>							
Due to banks and other credit institutions	15,698	58	4,831	364	-	-	20,951
Financial liabilities at fair value through profit or loss	3	-	-	-	-	-	3
Due to customers	1,574,552	477,247	1,088,243	327,369	13,148	-	3,480,559
Debt securities in issue	-	13,895	181,035	-	-	-	194,930
Subordinated loans	1,295	-	5,908	31,510	101,891	-	140,604
Other liabilities	22,094	31	51	1	-	1	22,178
<b>Total liabilities</b>	<b>1,613,642</b>	<b>491,231</b>	<b>1,280,068</b>	<b>359,244</b>	<b>115,039</b>	<b>1</b>	<b>3,859,225</b>

## **AB ŪKIO BANKAS**

### **EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011**

(All amounts in LTL thousands unless otherwise stated)

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#### **NOTE 35            MARKET RISK MANAGEMENT**

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

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



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### a) currency risk

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

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

Concentrations of assets, liabilities and off balance sheet items of the Group as of 31 December 2011:

	EUR	USD	LTL	Other	Total
<b>Assets</b>					
Cash and balances with central bank	181,185	10,468	290,338	7,631	489,622
Loans and advances to banks and other credit institutions	17,791	79,189	8,739	16,010	121,729
Financial assets at fair value through profit or loss	26,558	6,289	35,187	839	68,873
Loans and finance lease receivable	885,507	117,197	1,603,794	17,651	2,624,149
Investment securities:	442,855	99,505	18,510	3,533	564,403
<i>available-for-sale</i>	650	7,794	10,043	3	18,490
<i>held-to-maturity</i>	442,205	91,711	8,467	3,530	545,913
Intangible assets	-	-	20,643	13	20,656
Property, plant and equipment	-	-	25,423	380	25,803
Investment property	-	-	233,949	2,401	236,350
Deferred income tax assets	-	-	15,796	1,314	17,110
Assets classified as held for sale	-	-	12,945	-	12,945
Other assets	4,418	241	134,002	5,903	144,564
<b>Total assets</b>	<b>1,558,314</b>	<b>312,889</b>	<b>2,399,326</b>	<b>55,675</b>	<b>4,326,204</b>
<b>Liabilities</b>					
Due to banks and other credit institutions	12,694	4,904	3,116	95	20,809
Financial liabilities at fair value through profit or loss	-	-	3	-	3
Due to customers	927,050	590,530	1,869,263	50,825	3,437,668
Debt securities in issue	22,253	-	171,258	-	193,511
Subordinated loans	93,864	-	-	-	93,864
Deferred income tax liabilities	-	-	20,682	202	20,884
Liabilities directly associated with assets classified as held for sale	-	-	6	-	6
Other liabilities	22,086	12,158	41,891	1,881	78,016
<b>Total liabilities</b>	<b>1,077,947</b>	<b>607,592</b>	<b>2,106,219</b>	<b>53,003</b>	<b>3,844,761</b>
<b>Total equity</b>	-	-	<b>484,405</b>	<b>(2,962)</b>	<b>481,443</b>
<b>Total liabilities and equity</b>	<b>1,077,947</b>	<b>607,592</b>	<b>2,590,624</b>	<b>50,041</b>	<b>4,326,204</b>
<b>Net balance sheet position</b>	<b>480,367</b>	<b>(294,703)</b>	<b>(191,298)</b>	<b>5,634</b>	-
<b>Net off-balance sheet position</b>	<b>(471,939)</b>	<b>278,046</b>	<b>180,686</b>	<b>7,338</b>	<b>(5,869)</b>
<b>Net balance and off-balance sheet position</b>	<b>8,428</b>	<b>(16,657)</b>	<b>(10,612)</b>	<b>12,972</b>	<b>(5,869)</b>
Credit commitments	55,532	224	141,643	-	197,399
Issued guarantees	6,502	4,515	34,324	23	45,364

Concentrations of assets, liabilities and off balance sheet items of the Group as of 31 December 2010:

	EUR	USD	LTL	Other	Total
Total assets	2,290,311	650,031	1,989,995	80,366	5,010,703
Total liabilities and equity	1,508,916	678,355	2,757,619	65,813	5,010,703
Net balance sheet position	781,395	(28,324)	(767,624)	14,553	-
Net off-balance sheet position	(780,192)	12,929	766,774	(497)	(986)
<b>Net balance and off-balance sheet position</b>	<b>1,203</b>	<b>(15,395)</b>	<b>(850)</b>	<b>14,056</b>	<b>(986)</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

Concentrations of assets, liabilities and off balance sheet items of the Bank as of 31 December 2011:

	EUR	USD	LTL	Other	Total
<b>Assets</b>					
Cash and balances with central bank	181,185	10,468	290,338	7,631	489,622
Loans and advances to banks and other credit institutions	16,260	79,183	-	15,752	111,195
Financial assets at fair value through profit or loss	360	320	23,835	34	24,549
Loans and finance lease receivable	853,232	129,306	1,282,205	17,651	2,282,394
Investment securities:	441,893	99,367	354,090	3	895,353
<i>available-for-sale</i>	650	7,794	9,559	3	18,006
<i>held-to-maturity</i>	441,243	91,573	344,531	-	877,347
Investments in subsidiaries	-	-	239,164	-	239,164
Intangible assets	-	-	1,556	-	1,556
Property, plant and equipment	-	-	24,022	-	24,022
Investment property	-	-	6,031	-	6,031
Deferred income tax assets	-	-	15,796	-	15,796
Other assets	4,396	227	125,370	742	130,735
<b>Total assets</b>	<b>1,497,326</b>	<b>318,871</b>	<b>2,362,407</b>	<b>41,813</b>	<b>4,220,417</b>
<b>Liabilities</b>					
Due to banks and other financial institutions	12,694	4,904	3,116	95	20,809
Financial liabilities at fair value through profit or loss	-	-	3	-	3
Due to customers	927,672	590,530	1,869,267	50,966	3,438,435
Debt securities in issue	22,253	-	172,677	-	194,930
Subordinated loans	93,864	-	-	-	93,864
Other liabilities	3,307	3,578	12,435	838	20,158
<b>Total liabilities</b>	<b>1,059,790</b>	<b>599,012</b>	<b>2,057,498</b>	<b>51,899</b>	<b>3,768,199</b>
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>452,218</b>	<b>-</b>	<b>452,218</b>
<b>Total liabilities and equity</b>	<b>1,059,790</b>	<b>599,012</b>	<b>2,509,716</b>	<b>51,899</b>	<b>4,220,417</b>
<b>Net balance sheet position</b>	<b>437,536</b>	<b>(280,141)</b>	<b>(147,309)</b>	<b>(10,086)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>(432,331)</b>	<b>278,180</b>	<b>137,272</b>	<b>11,010</b>	<b>(5,869)</b>
<b>Net balance and off-balance sheet position</b>	<b>5,205</b>	<b>(1,961)</b>	<b>(10,037)</b>	<b>924</b>	<b>(5,869)</b>
Credit commitments	55,291	224	105,086	-	160,601
Issued guarantees	6,502	4,515	34,324	23	45,364

Concentrations of assets, liabilities and off balance sheet items of the Bank as of 31 December 2010:

	EUR	USD	LTL	Other	Total
Total assets	2,230,581	658,466	1,968,651	65,548	4,923,246
Total liabilities and equity	1,492,907	672,970	2,693,019	64,350	4,923,246
Net balance sheet position	737,674	(14,504)	(724,368)	1,198	-
Net off-balance sheet position	(737,485)	13,286	723,735	(497)	(961)
<b>Net balance and off-balance sheet position</b>	<b>189</b>	<b>(1,218)</b>	<b>(633)</b>	<b>701</b>	<b>(961)</b>

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

Sensitivity to currency risk, LTL'000:

The Group			The Bank	
2011	2010		2011	2010
		<b>Sensitivity to changes in EUR rates</b>		
-	-	Expected rate fluctuation, %	-	-
8,428	1,203	Open position	5,205	189
-	-	Effect on profit or loss before tax	-	-
-	-	Effect on equity	-	-
		<b>Sensitivity to changes in USD rates</b>		
2.28	8.51	Expected rate fluctuation, %	2.28	8.51
(16,657)	(15,395)	Open position	(1,961)	(1,218)
±380	±1,310	Effect on profit or loss before tax	±45	±104
±323	±1,114	Effect on equity	±38	±88
		<b>Sensitivity to changes in UAH rates</b>		
1.39	9.87	Expected rate fluctuation, %	1.39	9.87
11,938	13,242	Open position	393	388
±166	±1,307	Effect on profit or loss before tax	±5	±38
±141	±1,111	Effect on equity	±4	±32

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

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

#### b) interest rate risk

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

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

To minimize the risk of interest rate fluctuations granting loans with variable interest rate the Group/Bank sets a floor for fixed interest rates. As of 31 December 2011 loans with fixed lowest interest rate for the Group/Bank comprised LTL'000 944,573 (31 December 2010: LTL'000 940,689).

## AB ÜKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

Groups' assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of 31 December 2011.

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non- interest bearing	Total
<b>Assets</b>						
Cash and balances with central bank	65,867	-	-	-	423,755	489,622
Loans and advances to banks and other credit institutions	32,501	3,750	4,796	2,186	78,496	121,729
Financial assets at fair value through profit or loss	15,211	-	-	-	53,662	68,873
Loans and finance lease receivable	1,384,503	212,171	367,612	292,161	367,702	2,624,149
Investment securities:	7,688	6,921	53,955	473,343	22,496	564,403
<i>available-for-sale</i>	7,688	-	-	-	10,802	18,490
<i>held-to-maturity</i>	-	6,921	53,955	473,343	11,694	545,913
Intangible assets	-	-	-	-	20,656	20,656
Property, plant and equipment	-	-	-	-	25,803	25,803
Investment property	-	-	-	-	236,350	236,350
Deferred income tax assets	-	-	-	-	17,110	17,110
Assets classified as held for sale	-	-	-	-	12,945	12,945
Other assets	-	-	-	-	144,564	144,564
<b>Total assets</b>	<b>1,505,770</b>	<b>222,842</b>	<b>426,363</b>	<b>767,690</b>	<b>1,403,539</b>	<b>4,326,204</b>
<b>Liabilities</b>						
Due to banks and other credit institutions	11,601	62	5,069	-	4,077	20,809
Financial liabilities at fair value through profit or loss	-	-	-	-	3	3
Due to customers	666,714	461,876	1,049,638	244,253	1,015,187	3,437,668
Debt securities in issue	-	13,420	176,929	-	3,162	193,511
Subordinated loans	-	-	-	93,226	638	93,864
Deferred income tax liabilities	-	-	-	-	20,884	20,884
Liabilities directly associated with assets classified as held for sale	-	-	-	-	6	6
Other liabilities	-	-	-	-	78,016	78,016
<b>Total liabilities</b>	<b>678,315</b>	<b>475,358</b>	<b>1,231,636</b>	<b>337,479</b>	<b>1,121,973</b>	<b>3,844,761</b>
Off balance sheet claims sensitive to interest rate changes	-	-	-	-	-	-
Off balance sheet liabilities sensitive to interest rate changes	-	-	-	-	-	-
Interest rate risk	827,455	(252,516)	(805,273)	430,211	281,566	481,443

Groups' assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of 31 December 2010:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non- interest bearing	Total
<b>Total assets</b>	<b>1,331,259</b>	<b>455,682</b>	<b>1,051,495</b>	<b>523,312</b>	<b>1,648,955</b>	<b>5,010,703</b>
<b>Total liabilities</b>	<b>913,410</b>	<b>634,941</b>	<b>1,815,772</b>	<b>248,949</b>	<b>968,640</b>	<b>4,581,712</b>
Off balance sheet claims sensitive to interest rate changes	-	-	-	-	-	-
Off balance sheet liabilities sensitive to interest rate changes	-	17,237	-	-	-	17,237
Interest rate risk	417,849	(196,496)	(764,277)	274,363	680,315	411,754

## AB ÜKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

Bank's assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of 31 December 2011:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non- interest bearing	Total
<b>Assets</b>						
Cash and balances with central bank	65,867	-	-	-	423,755	489,622
Loans and advances to banks and other credit institutions	32,501	-	1,372	86	77,236	111,195
Financial assets held for trading	-	-	-	-	24,549	24,549
Loans and finance lease receivable	1,387,928	177,855	254,922	131,424	330,265	2,282,394
Investment securities:	343,688	6,921	53,681	469,019	22,044	895,353
<i>available-for-sale</i>	7,688	-	-	-	10,318	18,006
<i>held-to-maturity</i>	336,000	6,921	53,681	469,019	11,726	877,347
Investments in subsidiaries	-	-	-	-	239,164	239,164
Intangible assets	-	-	-	-	1,556	1,556
Property, plant and equipment	-	-	-	-	24,022	24,022
Investment property	-	-	-	-	6,031	6,031
Deferred income tax assets	-	-	-	-	15,796	15,796
Other assets	-	-	-	-	130,735	130,735
<b>Total assets</b>	<b>1,829,984</b>	<b>184,776</b>	<b>309,975</b>	<b>600,529</b>	<b>1,295,153</b>	<b>4,220,417</b>
<b>Liabilities</b>						
Due to banks and other financial institutions	11,601	62	5,069	-	4,077	20,809
Financial liabilities at fair value through profit or loss	-	-	-	-	3	3
Due to customers	667,095	464,686	1,049,638	240,760	1,016,256	3,438,435
Debt securities in issue	-	13,420	178,328	-	3,182	194,930
Subordinated loans	-	-	-	93,226	638	93,864
Other liabilities	-	-	-	-	20,158	20,158
<b>Total liabilities</b>	<b>678,696</b>	<b>478,168</b>	<b>1,233,035</b>	<b>333,986</b>	<b>1,044,314</b>	<b>3,768,199</b>
Off balance sheet claims sensitive to interest rate changes	-	-	-	-	-	-
Off balance sheet liabilities sensitive to interest rate changes	-	-	-	-	-	-
Interest rate risk	1,151,288	(293,392)	(923,060)	266,543	250,839	452,218

Banks' assets and liabilities stated at their carrying amounts at earlier of interest reprising and contractual maturity date as of as of 31 December 2010:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non- interest bearing	Total
<b>Total assets</b>	<b>1,579,911</b>	<b>764,523</b>	<b>622,504</b>	<b>381,157</b>	<b>1,575,151</b>	<b>4,923,246</b>
<b>Total liabilities</b>	<b>918,716</b>	<b>640,323</b>	<b>1,816,520</b>	<b>245,333</b>	<b>897,324</b>	<b>4,518,216</b>
Off balance sheet claims sensitive to interest rate changes	-	-	-	-	-	-
Off balance sheet liabilities sensitive to interest rate changes	-	17,237	-	-	-	17,237
Interest rate risk	661,195	106,963	(1,194,016)	135,824	677,827	387,793

# AB ŪKIO BANKAS

## EXPLANATORY NOTES

### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

Sensitivity to interest rate risk, LTL'000:

The Group			The Bank	
2011	2010		2011	2010
		<b>Changes in profit or loss if interest rates increased by 1 percentage point</b>		
1,039	(3,131)	LTL	3,497	(271)
2,301	2,452	EUR	1,975	2,075
(891)	(14)	USD	(854)	(51)
8	55	Other currencies	2	48
<b>2,457</b>	<b>(638)</b>	<b>Total changes in profit or loss if interest rates increased by 1 percentage point, before tax</b>	<b>4,620</b>	<b>1,801</b>
<b>2,088</b>	<b>(542)</b>	<b>Total changes in equity if interest rates increased by 1 percentage point</b>	<b>3,927</b>	<b>1,531</b>
		<b>Changes in profit or loss if interest rates decreased by 1 percentage point</b>		
996	5,162	LTL	(1,462)	2,301
42	219	EUR	369	597
1,802	1,009	USD	1,766	1,047
122	54	Other currencies	129	60
<b>2,962</b>	<b>6,444</b>	<b>Total changes in profit or loss if interest rates decreased by 1 percentage point, before tax</b>	<b>802</b>	<b>4,005</b>
<b>2,518</b>	<b>5,477</b>	<b>Total changes in equity if interest rates decreased by 1 percentage point</b>	<b>682</b>	<b>3,404</b>

## NOTE 36 OTHER RISKS INHERENT IN THE GROUP'S ACTIVITY

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

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

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

**Strategic risk** is the risk arising from external or internal factors of Group's environment, which could result in negative impact on implementation of the Group's objectives, continuity and going concern of Group's operations due to deficient or erroneous assessments. The Group/Bank manages strategic risk by taking into account changes of internal strategic risk indicators in the decision-making and planning process.

**Reputation risk** is the risk of adverse image of the Group's reputation in the eyes of customers / counterparties / shareholders / investors having negative impact on Group earnings or capital. The Group/Bank manage reputation risk by taking into account changes of internal risk indicators in the decision-making process and communication with customers/counterparties.

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

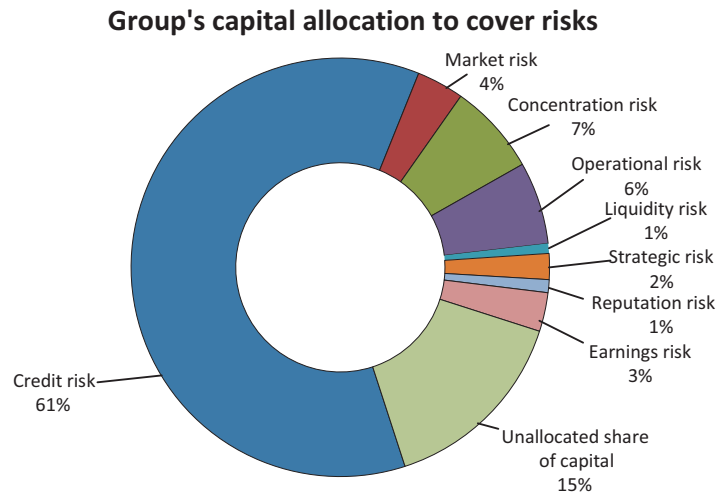
# AB ŪKIO BANKAS

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

### NOTE 37 ALLOCATION OF CAPITAL TO COVER RISKS

In addition to calculations of capital to cover the risk, the Group calculates and plans the economic capital. In accordance with the risk management strategy, Group's allocated capital to cover the risk has to be 10% higher than calculated economic capital. As of 31 December 2011, Group's capital allows the Group to cover losses up to LTL 181 million without breaching regulatory capital adequacy ratio. The Group calculates economic capital to cover all identified major risks. In the process of calculation of Group's economic capital, credit and operational risk are assessed using standard and basic indicator approaches, additionally, the system of internal risk indicators is used to assess possible deficits of capital requirement calculated under these approaches. Internal market models and conservative stress tests are used to assess the market risk. Internal risk assessment and additional capital requirement systems are implemented for assessment of liquidity, concentration, strategic, reputation and earnings risks. In calculation of aggregate economic capital to cover risks, the Group adds up capital required for different risks without taking account of risk diversification factor due to low actual correlation of individual risks. The Group's capital allocation to cover risks as of 31 December 2011 is presented below:



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 38 COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

In 2011 and 2010, the Group and the Bank were in compliance with all the requirements set by the Bank of Lithuania.

The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2011 is presented in the table below:

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	$\geq 10\%$	14.54%	14.89%
Liquidity ratio	$\geq 30\%$	47.29%	41.48%
Maximum credit exposure to a single borrower	$\leq 25\%$ (for subsidiaries – 75%) of eligible capital	66.50% (subsidiary) 22.22% (other)	20.83%
Large loans	$\leq 800\%$ of eligible capital	369.90%	257.81%
Aggregate open foreign currency position	$\leq 25\%$ of eligible capital	(0.39)%	(3.01)%
Single open foreign currency position	$\leq 15\%$ of eligible capital	(0.39)%	(3.01)%

The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2010 is presented in the table below:

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	$\geq 10\%$	12.58%	13.01%
Liquidity ratio	$\geq 30\%$	49.33%	49.06%
Maximum credit exposure to a single borrower	$\leq 25\%$ (for subsidiaries – 75%) of eligible capital	72.06% (subsidiary) 23.84% (other)	21.86%
Large loans	$\leq 800\%$ of eligible capital	370.35%	259.01%
Aggregate open foreign currency position	$\leq 25\%$ of eligible capital	(0.27)%	(3.08)%
Single open foreign currency position	$\leq 15\%$ of eligible capital	(0.27)%	(3.08)%

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



# AB ŪKIO BANKAS

## EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

### NOTE 39 CAPITAL ADEQUACY

The capital adequacy ratio set by the Bank of Lithuania has to be at least 10% of the Group's and the Bank's capital.

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

The capital adequacy ratio as of 31 December 2011 and 31 December 2010 calculated in accordance with the Bank of Lithuania regulations, is presented in the table below:

<b>The Group</b>			<b>The Bank</b>	
<b>2011</b>	<b>2010</b>		<b>2011</b>	<b>2010</b>
		<b>Tier 1 capital</b>		
345,824	295,824	Share capital	345,824	295,824
76,500	76,500	Share premium	76,500	76,500
21,810	61,650	Reserve capital	21,810	61,650
22,683	16,713	Undistributed profit (loss) of previous years	-	(1,826)
-	(33,496)	Loss of current year	(4,558)	(38,014)
16,991	16,617	Legal reserve	15,532	15,532
(2,881)	(4,617)	Revaluation reserve – available-for-sale investment securities	(2,890)	(4,636)
(20,656)	(21,578)	Deductions	(20,676)	(21,091)
<b>460,271</b>	<b>407,613</b>	<b>Total Tier 1 capital</b>	<b>431,542</b>	<b>383,939</b>
		<b>Tier 2 capital</b>		
(584)	(200)	Currency translation reserve	-	-
93,226	93,226	Eligible for inclusion in Tier 2 capital part of subordinated loans	93,226	93,226
-	-	Deductions	(19,120)	(19,515)
<b>92,642</b>	<b>93,026</b>	<b>Total Tier 2 capital</b>	<b>74,106</b>	<b>73,711</b>
<b>552,913</b>	<b>500,639</b>	<b>Total Capital Base</b>	<b>505,648</b>	<b>457,650</b>
		<b>Risk-weighted assets and off-balance sheet items</b>		
3,274,250	3,366,410	Banking book risk-weighted assets and off-balance sheet items	3,224,150	3,325,780
163,110	150,910	Trading book risk-weighted assets and off-balance sheet items	76,930	84,630
276,900	330,570	Operational risk risk-weighted assets and off-balance sheet items	177,180	228,540
<b>3,714,260</b>	<b>3,847,890</b>	<b>Total risk-weighted assets and off-balance sheet items</b>	<b>3,478,260</b>	<b>3,638,950</b>
<b>12.39</b>	<b>10.59</b>	<b>Tier 1 capital / Total risk-weighted assets and off-balance sheet items, %</b>	<b>12.41</b>	<b>10.55</b>
<b>14.89</b>	<b>13.01</b>	<b>Capital adequacy ratio, %</b>	<b>14.54</b>	<b>12.58</b>

# AB ŪKIO BANKAS

## EXPLANATORY NOTES

**FOR THE YEAR ENDED 31 DECEMBER 2011**

(All amounts in LTL thousands unless otherwise stated)

### NOTE 40 RELATED PARTY TRANSACTIONS

<u>Related party</u>	<u>Description of relationship</u>
Shareholders	Shareholders whose interest exceeds 5% of share capital
Members of the Board and Council	
Subsidiaries	Companies, comprising the Group as described in Note 1 to financial statements
Other related parties	UAB Ūkio Banko Investicinė Grupė and related entities; UAB FMĮ Finbaltus and; heads of administration of the Bank's subsidiaries and their close relatives, close relatives of the Bank's shareholders and members of the Board and Council.

During the year 2011 and 2010 Group companies entered into the following transactions with related parties that are not members of the Group:

<b>The Group</b>	<b>Members of the Board and the Council</b>	<b>Shareholders</b>	<b>Other related parties</b>
<b>As of 31 December 2011</b>			
Loans, finance lease receivable	2,729	-	15,128
Interest income	89	-	557
Deposits	4,084	432	10,947
Interest expenses	172	4	403
Operating expenses	-	-	11,907
<b>As of 31 December 2010</b>			
Loans, finance lease receivable	2,590	-	6,487
Interest income	86	-	2,097
Deposits	4,102	762	10,585
Interest expenses	141	66	379
Operating expenses	-	-	9,964
<b>The Bank</b>	<b>Members of the Board and the Council</b>	<b>Shareholders</b>	<b>Other related parties</b>
<b>As of 31 December 2011</b>			
Loans, finance lease	2,572	-	15,092
Interest income	86	-	553
Deposits	4,084	432	10,947
Interest expense	172	4	403
Operating expenses	-	-	11,907
<b>As of 31 December 2010</b>			
Loans, finance lease	2,580	-	6,427
Interest income	85	-	2,091
Deposits	4,102	762	10,585
Interest expense	141	66	379
Operating expenses	-	-	9,964

<b>The Group</b>		<b>Compensation to key management personnel</b>	<b>The Bank</b>	
<b>2011</b>	<b>2010</b>		<b>2011</b>	<b>2010</b>
3,494	2,955	Short-terms payments	1,896	1,642
-	-	Long-terms payments	-	-

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2011 and for the twelve month period then ended related party transactions between the Bank and subsidiaries were as follows:

<b>Related parties</b>	<b>Bank's payables</b>	<b>Bank's receivables</b>	<b>Income received</b>	<b>Expenses</b>
GD UAB Bonum Publicum	5,112	2	39	7
UAB Ūkio Banko Lizingas	848	336,140	25,316	(57)
UAB Ūkio Banko Investicijų Valdymas	57	-	1	1
RAB Ūkio Bank Lizing	-	28,687	2,029	-
UAB Ūkio Banko Rizikos Kapitalo Valdymas	3	12,126	510	(111)
UAB Investicinio Turto Valdymas	276	-	3,186	1
UAB Trade Project	186	-	-	-
UAB Eastern Europe Development Fund	15	-	-	-
UAB Turto valdymo paslaugos	-	333,951	14,403	-
UAB Sporto Klubų Investicijos	8	-	-	-

As of 31 December 2010 and for the twelve month period then ended related party transactions between the Bank and subsidiaries were as follows:

<b>Related parties</b>	<b>Bank's payables</b>	<b>Bank's receivables</b>	<b>Income received</b>	<b>Expenses</b>
GD UAB Bonum Publicum	6,765	3	35	257
UAB Ūkio Banko Lizingas	6,142	329,657	14,809	53
UAB Ūkio Banko Investicijų Valdymas	255	26	-	4
RAB Ūkio Bank Lizing	485	39,408	2,651	-
UAB Ūkio Banko Rizikos Kapitalo Valdymas	26	10,499	565	(74)
UAB Investicinio Turto Valdymas	101	-	-	-
UAB Trade Project	690	-	110	2
UAB Eastern Europe Development Fund	23	-	1,531	-
UAB Turto valdymo paslaugos	-	311,323	13,236	-

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

#### NOTE 41 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

<b>The Group</b>		<b>Claims and liabilities</b>	<b>The Bank</b>	
<b>31.12.2011</b>	<b>31.12.2010</b>		<b>31.12.2011</b>	<b>31.12.2010</b>
45,364	67,704	Guarantees and warranties	45,364	67,704
2,229	-	Commitments to issue letters of credit	2,229	-
197,399	138,968	Irrevocable lending commitments	160,601	85,557
195,829	824,059	Spot liabilities	239,242	867,098
195,831	824,025	Spot claims	239,244	867,064
-	-	Other off balance commitments	-	-

As of 31 December 2011 UAB Ūkio Banko Lizingas has finance lease contracts in the amount LTL'000 450 signed, but not yet executed (31 December 2010: LTL'000 122).

Finance lease – as of 31 December 2011 the Bank has outstanding finance lease obligations under finance lease contracts in the amount of LTL'000 41 (31 December 2010: LTL'000 121). Minimum finance lease payment obligations are recorded on the balance sheet under liabilities. The Bank's obligations under finance leases are secured by the lessor's right to the leased assets.

Operating leases – the Bank rents offices, other premises and land for banking activities. The Bank has outstanding non-cancelable commitments in connection with the rental agreements as of 31 December 2011 amounting to LTL'000 54,295 (31 December 2010: LTL'000 65,006).

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

As of 31 December 2011 the Group's and the Bank's future annual minimum commitments under leases were following:

For the year ending 31 December	2011		2010	
	Finance lease	Operating lease	Finance lease	Operating lease
2011	-	-	81	10,439
2012	42	8,593	42	8,461
2013	-	7,591	-	7,633
2014	-	6,638	-	6,837
2015	-	5,636	-	5,674
Thereafter	-	25,837	-	25,962
<b>Minimum lease payments</b>	<b>42</b>	<b>54,295</b>	<b>123</b>	<b>65,006</b>
Less: interest	(1)		(2)	
<b>Present value of minimum lease payments</b>	<b>41</b>		<b>121</b>	

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

**Litigation and claims** – As of 31 December 2011 and 31 December 2010 the Group and the Bank was not involved in any legal proceedings except for those related to loan/lease loss recovery.

#### NOTE 42 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group			
	31.12.2011			
Derivative financial instruments	Foreign exchange purchase/sale agreements, nominal	Interest rate agreements, nominal	Related to equity, nominal	Other, nominal
<b>Claims</b>	<b>313,587</b>	-	-	-
Forward	3,471	-	-	-
Swaps	310,116	-	-	-
Put options	-	-	-	-
Futures	-	-	-	-
<b>Liabilities</b>	<b>313,264</b>	-	-	-
Forward	3,323	-	-	-
Swaps	309,941	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	-	-	-	-
	The Group			
	31.12.2010			
Derivative financial instruments	Foreign exchange purchase/sale agreements, nominal	Interest rate agreements, nominal	Related to equity, nominal	Other, nominal
<b>Claims</b>	<b>84,097</b>	-	-	-
Forward	57,360	-	-	-
Swaps	26,737	-	-	-
Put options	-	-	-	-
Futures	-	-	-	-
<b>Liabilities</b>	<b>84,911</b>	<b>17,237</b>	-	-
Forward	58,257	-	-	-
Swaps	26,654	-	-	-
Put options	-	-	-	-
Call options	-	-	-	-
Futures	-	17,237	-	-

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	<b>The Bank</b>			
	<b>31.12.2011</b>			
	<b>Foreign exchange purchase/sale agreements, nominal</b>	<b>Interest rate agreements, nominal</b>	<b>Related to equity, nominal</b>	<b>Other, nominal</b>
<b>Derivative financial instruments</b>				
<b>Claims</b>	<b>313,720</b>	-	-	-
Forward	3,604	-	-	-
Swaps	310,116	-	-	-
Put options	-	-	-	-
Futures	-	-	-	-
<b>Liabilities</b>	<b>313,397</b>	-	-	-
Forward	3,456	-	-	-
Swaps	309,941	-	-	-
Put options	-	-	-	-
Futures	-	-	-	-
	<b>The Bank</b>			
	<b>31.12.2010</b>			
	<b>Foreign exchange purchase/sale agreements, nominal</b>	<b>Interest rate agreements, nominal</b>	<b>Related to equity, nominal</b>	<b>Other, nominal</b>
<b>Derivative financial instruments</b>				
<b>Claims</b>	<b>84,455</b>	-	-	-
Forward	57,718	-	-	-
Swaps	26,737	-	-	-
Put options	-	-	-	-
Futures	-	-	-	-
<b>Liabilities</b>	<b>85,243</b>	<b>17,237</b>	-	-
Forward	58,589	-	-	-
Swaps	26,654	-	-	-
Put options	-	-	-	-
Futures	-	17,237	-	-

#### NOTE 43 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value estimates presented herein are based on pertinent information available to the Group and the Bank as of 31 December 2011 and 2010. The Group and the Bank are not aware of any factors that could have a material impact on the amounts of these fair values.

## AB ÜKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

The tables below summarize the carrying amounts and fair values of those financial assets and liabilities that as of 31 December 2011 and 2010 had not been presented in the Group's and the Bank's statements of financial position at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	31.12.2011		31.12.2010	
	The Group		The Group	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Loans and advances to banks and other credit institutions	121,729	121,665	547,693	547,572
Loans and finance lease receivable	2,624,149	2,603,450	2,616,760	2,591,554
Securities held-to-maturity	545,913	551,344	639,404	644,849
Financial Liabilities:				
Deposits from banks and other credit institutions	20,809	20,787	396,169	397,934
Due to customers	3,437,668	3,439,383	3,953,178	3,972,051
Debt securities in issue	193,511	192,430	44,698	44,842
Subordinated loans	93,864	89,860	93,956	90,125

	31.12.2011		31.12.2010	
	The Bank		The Bank	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Loans and advances to banks and other credit institutions	111,195	111,178	535,335	535,265
Loans and finance lease receivable	2,282,394	2,269,006	2,287,838	2,272,053
Securities held-to-maturity	877,347	882,355	967,841	973,276
Financial Liabilities:				
Deposits from banks and other credit institutions	20,809	20,787	396,169	397,934
Due to customers	3,438,435	3,440,050	3,962,918	3,981,512
Debt securities in issue	194,930	193,842	44,698	44,842
Subordinated loans	93,864	89,860	93,956	90,125

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

#### **Financial Instruments with carrying amount equal to fair value.**

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

#### **Loans and advances to banks and other credit institutions**

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

#### **Loans and receivables**

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

#### **Due to customers**

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

## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### Fair value measurements recognised in the statement of financial position

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

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

<b>The Group</b>				
<b>31.12.2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	44,324	1,052	23,497	68,873
Investment securities available-for-sale	18,001	-	489	18,490
Financial liabilities at fair value through profit or loss	-	3	-	3

<b>The Group</b>				
<b>31.12.2010</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	73,222	1,614	-	74,836
Investment securities available-for-sale	30,708	-	489	31,197
Financial liabilities at fair value through profit or loss	-	1,016	-	1,016

<b>The Bank</b>				
<b>31.12.2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	-	1,052	23,497	24,549
Investment securities available-for-sale	17,517	-	489	18,006
Financial liabilities at fair value through profit or loss	-	3	-	3

<b>The Bank</b>				
<b>31.12.2010</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	30,427	1,640	-	32,067
Investment securities available-for-sale	30,244	-	489	30,733
Financial liabilities at fair value through profit or loss	-	1,016	-	1,016

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

	<b>The Group</b>	<b>The Bank</b>
<b>Carrying amount</b>		
<b>As of 1 January 2010</b>	<b>21,932</b>	<b>21,932</b>
additions	-	-
(disposals)	(21,436)	(21,436)
currency exchange differences	(7)	(7)
<b>As of 31 December 2010</b>	<b>489</b>	<b>489</b>
additions	21,205	21,205
change in fair value	2,292	2,292
<b>As of 31 December 2011</b>	<b>23,986</b>	<b>23,986</b>

In 2011, change in fair value of these assets resulted in net gain of LTL'000 2,292 (in 2010: LTL'000 nil), which was recognised in the Income statement line „Net gains (losses) from financial assets at fair value through profit or loss“. In 2011, disposals of these assets resulted in net realised profit of LTL'000 nil (in 2010: LTL'000 17,383), which was recognised in the Income statement line „Net gains (losses) arising from investment securities“.

There were no transfers between Level 1 and 2 during the period.

## AB ŪKIO BANKAS

### EXPLANATORY NOTES

#### FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### NOTE 44 OPERATING SEGMENTS

Segments were identified by types of services Group's entities provide. The Banking segment includes financial information of AB Ūkio Bankas (main activity – banking services), Finance lease segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ūkio Bank Lizing (main activity – finance lease). Insurance segment includes financial information of GD UAB Bonum Publicum. Other activities segment includes financial information of Group's entities not included in Banking, Finance lease or Insurance segments. Other activities segment includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas, UAB Investicinio Turto Valdymas, UAB Eastern Europe Development Fund, UAB Trade Project, UAB Turto Valdymo Paslaugos and discontinued operations (for year 2011: UAB Sporto Klubu Investicijos).

	2011					Group
	Banking	Finance lease	Insurance	Other activities	Elimination	
<b>CONTINUING OPERATIONS</b>						
<b>Interest revenues:</b>						
Internal	43,776	39	156	3,189	(47,160)	-
External	134,545	47,350	1,512	18,776	-	202,183
	<b>178,321</b>	<b>47,389</b>	<b>1,668</b>	<b>21,965</b>	<b>(47,160)</b>	<b>202,183</b>
<b>Interest expenses:</b>						
Internal	(196)	(25,679)	-	(21,285)	47,160	-
External	(122,861)	-	-	(84)	-	(122,945)
	<b>(123,057)</b>	<b>(25,679)</b>	<b>-</b>	<b>(21,369)</b>	<b>47,160</b>	<b>(122,945)</b>
<b>Net interest income</b>	<b>55,264</b>	<b>21,710</b>	<b>1,668</b>	<b>596</b>	<b>-</b>	<b>79,238</b>
<b>Non-interest revenues:</b>						
Internal	1,708	-	9	209	(1,926)	-
External	75,674	4,930	17,395	1,638	-	99,637
	<b>77,382</b>	<b>4,930</b>	<b>17,404</b>	<b>1,847</b>	<b>(1,926)</b>	<b>99,637</b>
<b>Non-interest expenses:</b>						
Internal	354	(1,765)	(403)	(112)	1,926	-
External	(118,354)	(16,840)	(18,594)	(3,243)	-	(157,031)
	<b>(118,000)</b>	<b>(18,605)</b>	<b>(18,997)</b>	<b>(3,355)</b>	<b>1,926</b>	<b>(157,031)</b>
<b>Segment result before impairment, amortization and taxes</b>	<b>14,646</b>	<b>8,035</b>	<b>75</b>	<b>(912)</b>	<b>-</b>	<b>21,844</b>
Depreciation and amortization	(5,212)	(231)	(258)	(68)	-	(5,769)
Impairment losses	(12,736)	(3,134)	(1,806)	(316)	4,798	(13,194)
<b>Profit (loss) before tax</b>	<b>(3,302)</b>	<b>4,670</b>	<b>(1,989)</b>	<b>(1,296)</b>	<b>4,798</b>	<b>2,881</b>
Income tax	(1,256)	(319)	-	(199)	-	(1,774)
<b>NET RESULT FROM CONTINUING OPERATIONS</b>	<b>(4,558)</b>	<b>4,351</b>	<b>(1,989)</b>	<b>(1,495)</b>	<b>4,798</b>	<b>1,107</b>
<b>Net result from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>
<b>NET PROFIT (LOSS) FOR THE YEAR FROM CONTINUING AND DISCONTINUED OPERATIONS</b>	<b>(4,558)</b>	<b>4,351</b>	<b>(1,989)</b>	<b>(1,502)</b>	<b>4,798</b>	<b>1,100</b>
Attributable to:						
Equity holders of the parent	(4,558)	4,351	(1,989)	(1,502)	4,798	1,100
Non-controlling interest	-	-	-	-	-	-
Assets	4,220,417	402,315	84,520	575,526	(956,574)	4,326,204
Liabilities	3,768,199	380,999	44,273	371,493	(720,203)	3,844,761
Property, plant and equipment acquired	2,903	499	12	-	-	3,414
Intangible assets acquired	791	7	54	-	-	852



## AB ŪKIO BANKAS

### EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	2010					Group
	Banking	Finance lease	Insurance	Other activities	Elimination	
<b>Interest revenues:</b>						
Internal	32,678	30	408	6	(33,122)	-
External	139,977	45,555	1,401	14,438	-	201,371
	<b>172,655</b>	<b>45,585</b>	<b>1,809</b>	<b>14,444</b>	<b>(33,122)</b>	<b>201,371</b>
<b>Interest expenses:</b>						
Internal	(444)	(17,308)	-	(15,370)	33,122	-
External	(175,690)	(95)	-	-	-	(175,785)
	<b>(176,134)</b>	<b>(17,403)</b>	<b>-</b>	<b>(15,370)</b>	<b>33,122</b>	<b>(175,785)</b>
<b>Net interest income</b>	<b>(3,479)</b>	<b>28,182</b>	<b>1,809</b>	<b>(926)</b>	<b>-</b>	<b>25,586</b>
<b>Non-interest revenues:</b>						
Internal	168	41	146	179	(534)	-
External	100,782	7,398	20,073	1,282	-	129,535
	<b>100,950</b>	<b>7,439</b>	<b>20,219</b>	<b>1,461</b>	<b>(534)</b>	<b>129,535</b>
<b>Non-interest expenses:</b>						
Internal	130	(889)	(374)	102	1,031	-
External	(114,008)	(14,756)	(20,279)	(2,300)	-	(151,343)
	<b>(113,878)</b>	<b>(15,645)</b>	<b>(20,653)</b>	<b>(2,198)</b>	<b>1,031</b>	<b>(151,343)</b>
<b>Segment result before impairment, amortization and taxes</b>	<b>(16,407)</b>	<b>19,976</b>	<b>1,375</b>	<b>(1,663)</b>	<b>497</b>	<b>3,778</b>
Depreciation and amortization	(5,981)	(2,205)	(205)	(102)	-	(8,493)
Impairment losses	(21,060)	(7,524)	-	(234)	(4,088)	(32,906)
<b>Profit (loss) before tax</b>	<b>(43,448)</b>	<b>10,247</b>	<b>1,170</b>	<b>(1,999)</b>	<b>(3,591)</b>	<b>(37,621)</b>
Income tax	5,434	(1,393)	-	84	-	4,125
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(38,014)</b>	<b>8,854</b>	<b>1,170</b>	<b>(1,915)</b>	<b>(3,591)</b>	<b>(33,496)</b>
Attributable to:						
Equity holders of the parent	(38,014)	8,854	1,170	(1,915)	(3,591)	(33,496)
Non-controlling interest	-	-	-	-	-	-
Assets	4,923,246	396,773	85,045	552,231	(946,592)	5,010,703
Liabilities	4,518,216	379,423	42,804	346,687	(705,418)	4,581,712
Property, plant and equipment acquired	1,571	161	201	-	-	1,933
Intangible assets acquired	488	3	258	-	-	749

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

	31.12.2011		31.12.2010	
	The Group		The Group	
	Lithuania	Foreign countries	Lithuania	Foreign countries
Revenues from external customers	260,353	41,467	278,196	52,710
Property, plant and equipment, investment property, intangible assets	280,015	2,794	283,291	5,215

#### NOTE 45 POST BALANCE SHEET EVENTS

Due to the one-off loss event, which occurred in 2012 January, the Bank formed LTL 50 million additional provisions against the impairment of loans and receivables in 2012 January.

## **AB ŪKIO BANKAS**

### **INFORMATION DISCLOSURES REQUIRED BY LAW FOR THE YEAR ENDED 31 DECEMBER 2011**

(All amounts in LTL thousands unless otherwise stated)

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#### **INFORMATION DISCLOSURES REQUIRED BY LAW**

According to local legislation the Bank is required to prepare financial information of Financial group. Financial group includes the Bank and subsidiaries engaged in financial services activities. At the year end 2011 and the year end 2010, Financial group consists of bank and its subsidiaries engaged in financial services activities UAB Ūkio Banko Lizingas, UAB Turto Valdymo Paslaugos, GD UAB Bonum Publicum, UAB Ūkio Banko Investicijų Valdymas.

In 2011 and 2010 Financial group complied with all prudential ratios set by the Bank of Lithuania.

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

## AB ŪKIO BANKAS

### INFORMATION DISCLOSURES REQUIRED BY LAW FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### Financial group Statement of financial position:

	Financial group	
	31.12.2011	31.12.2010
<b>ASSETS</b>		
Cash and balances with central bank	489,622	695,866
Loans and advances to banks and other credit institutions	121,248	547,282
Financial assets at fair value through profit or loss	68,873	74,836
Loans and finance lease receivable	2,644,275	2,627,235
Investment securities:		
<i>available-for-sale</i>	18,490	31,197
<i>held-to-maturity</i>	545,913	639,404
Investments in subsidiaries	200,623	201,821
Intangible assets	20,643	21,538
Property, plant and equipment	25,022	27,739
Investment property	14,619	14,619
Deferred tax assets	15,796	16,835
Other assets	134,608	86,005
<b>Total assets</b>	<b>4,299,732</b>	<b>4,984,377</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Due to banks and other credit institutions	20,809	396,169
Financial liabilities at fair value through profit or loss	3	1,016
Due to customers	3,433,837	3,949,761
Debt securities in issue	193,511	44,698
Subordinated loans	93,864	93,956
Deferred tax liabilities	967	1,044
Other liabilities	76,596	71,164
<b>Total liabilities</b>	<b>3,819,587</b>	<b>4,557,808</b>
<b>EQUITY</b>		
Share capital	345,824	295,824
Share premium	76,500	76,500
Revaluation reserve - available-for-sale investment securities	(2,881)	(4,617)
General reserve for losses of assets	-	-
Currency translation reserve	-	-
Legal reserve	16,234	16,189
Other reserves	21,810	61,650
Retained earnings (accumulated loss)	22,658	(18,977)
<b>Equity attributable to equity holders of the parent</b>	<b>480,145</b>	<b>426,569</b>
Non-controlling interest	-	-
<b>Total equity</b>	<b>480,145</b>	<b>426,569</b>
<b>Total liabilities and equity</b>	<b>4,299,732</b>	<b>4,984,377</b>

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

G. Ugianskis  
Chairman of the Board

V. Petraitiene  
Chief Accountant

## AB ŪKIO BANKAS

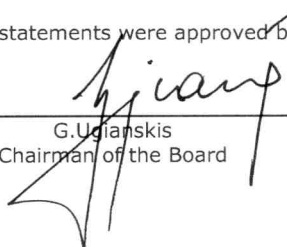
### INFORMATION DISCLOSURES REQUIRED BY LAW FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### Financial group Income statement:

	Financial group	
	2011	2010
Interest income	204,520	201,258
Interest expense	(126,047)	(175,787)
<b>Interest income, net</b>	<b>78,473</b>	<b>25,471</b>
Fees and commission income	55,099	59,473
Fees and commission expense	(9,966)	(10,286)
<b>Fees and commission income, net</b>	<b>45,133</b>	<b>49,187</b>
Net gains from dealing in foreign currencies	11,625	19,856
Net gains from financial assets at fair value through profit or loss	(367)	715
Net gains (losses) arising from investment securities	3,374	15,750
Impairment charge	(18,089)	(34,057)
Recoveries of loans written off	2,625	1,923
Insurance income, net	8,584	917
Dividend income	109	60
Other operating income	225	6,484
<b>Operating profit before operating expenses</b>	<b>131,692</b>	<b>86,306</b>
<b>Operating expenses</b>	<b>(127,938)</b>	<b>(121,516)</b>
<b>Profit (loss) before income tax</b>	<b>3,754</b>	<b>(35,210)</b>
Income tax (expenses) benefit	(1,914)	3,248
<b>Net profit (loss) for the year</b>	<b>1,840</b>	<b>(31,962)</b>
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>1,840</b>	<b>(31,962)</b>
Attributable to:		
Equity holders of the parent	1,840	(31,962)
Non-controlling interest	-	-
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>1,840</b>	<b>(31,962)</b>
<b>EARNINGS PER SHARE</b>		
Basic (in LTL)	0.01	(0.12)
Diluted (in LTL)	0.01	(0.12)

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugianskis  
Chairman of the Board

  
V. Petraitiene  
Chief Accountant

## AB ŪKIO BANKAS


### INFORMATION DISCLOSURES REQUIRED BY LAW FOR THE YEAR ENDED 31 DECEMBER 2011

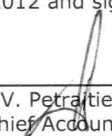
(All amounts in LTL thousands unless otherwise stated)

#### Financial group Statement of comprehensive income:

	Financial group	
	2011	2010
<b>Profit (loss) for the year</b>	<b>1,840</b>	<b>(31,962)</b>
<b>Other comprehensive income</b>		
<b>Exchange differences on translating foreign operations</b>		
Exchange differences on translating foreign operations, net of tax	-	-
Reclassification adjustments relating to foreign operations disposed of in the year, net of tax	-	313
	-	<b>313</b>
<b>Available-for-sale financial assets</b>		
Net gain (loss) arising on revaluation of available-for-sale financial assets during the year, net of tax	1,736	576
	<b>1,736</b>	<b>576</b>
Income from sale of subsidiaries included directly in retained earnings (loss)	-	4,075
Other reclassification adjustments	-	(5)
<b>Total comprehensive income for the year</b>	<b>3,576</b>	<b>(27,003)</b>
Attributable to:		
Equity holders of the parent	3,576	(27,003)
Non-controlling interest	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,576</b>	<b>(27,003)</b>

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugianskis  
Chairman of the Board

  
V. Petraitiene  
Chief Accountant

## AB ŪKIO BANKAS

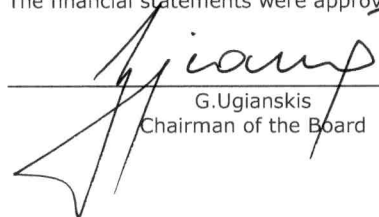
### INFORMATION DISCLOSURES REQUIRED BY LAW FOR THE YEAR ENDED 31 DECEMBER 2011

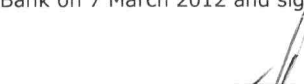
(All amounts in LTL thousands unless otherwise stated)

#### Financial group Statement of changes in equity:

Financial group	Share Capital	Share premium	Other reserves	Revaluation reserve on available-for-sale investment securities	Foreign currency translation reserve	Legal reserve	Retained earnings (accumulated loss)	Equity attributable to equity holders of the parent	Non-controlling interest	Total
<b>As of 1 January 2010</b>	<b>245,824</b>	<b>76,500</b>	<b>136,647</b>	<b>(5,193)</b>	<b>(313)</b>	<b>15,996</b>	<b>(65,889)</b>	<b>403,572</b>	<b>-</b>	<b>403,572</b>
Transfer to legal reserve	-	-	-	-	-	193	(193)	-	-	-
Transfer to retained earnings (loss)	-	-	(74,997)	-	-	-	74,997	-	-	-
Increase of share capital	50,000	-	-	-	-	-	-	50,000	-	50,000
Total comprehensive income for the year:	-	-	-	576	313	-	(27,892)	(27,003)	-	(27,003)
Net loss	-	-	-	-	-	-	(31,962)	(31,962)	-	(31,962)
Other comprehensive income	-	-	-	576	313	-	4,070	4,959	-	4,959
<b>As of 31 December 2010</b>	<b>295,824</b>	<b>76,500</b>	<b>61,650</b>	<b>(4,617)</b>	<b>-</b>	<b>16,189</b>	<b>(18,977)</b>	<b>426,569</b>	<b>-</b>	<b>426,569</b>
Transfer to retained earnings (loss)	-	-	(39,840)	-	-	-	39,840	-	-	-
Transfer to legal reserve	-	-	-	-	-	45	(45)	-	-	-
Increase of share capital	50,000	-	-	-	-	-	-	50,000	-	50,000
Total comprehensive income for the year:	-	-	-	1,736	-	-	1,840	3,576	-	3,576
Net profit	-	-	-	-	-	-	1,840	1,840	-	1,840
Other comprehensive income	-	-	-	1,736	-	-	-	1,736	-	1,736
<b>As of 31 December 2011</b>	<b>345,824</b>	<b>76,500</b>	<b>21,810</b>	<b>(2,881)</b>	<b>-</b>	<b>16,234</b>	<b>22,658</b>	<b>480,145</b>	<b>-</b>	<b>480,145</b>

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugianskis  
Chairman of the Board

  
V. Petrašenė  
Chief Accountant

## AB ŪKIO BANKAS

### INFORMATION DISCLOSURES REQUIRED BY LAW FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

#### Financial group Statement of cash flows:

	Financial group	
	2011	2010
<b>Cash flows from (to) operating activities</b>		
Net profit (loss) for the year	1,840	(31,962)
<b>Adjustments to net loss:</b>		
Income tax expenses (benefit) recognized in profit or loss	1,914	(3,248)
Impairment charge	15,464	34,057
Interest income	(204,520)	(201,258)
Interest expense	126,047	175,787
Dividends income	(109)	(60)
Depreciation and amortization	5,641	6,419
Decrease in fair value of investment property	-	-
Loss (profit) from sales of property, plant and equipment	1,234	(4,750)
<b>Cash (to) operating profits before changes in operating assets and liabilities</b>	<b>(52,489)</b>	<b>(25,015)</b>
<b>Changes in operating assets and liabilities</b>		
Net change in balances with Central Bank	26,473	(34,505)
Net change in loans to banks and other credit institutions	5,237	(4,804)
Net change in financial assets at fair value through profit or loss	5,621	(31,469)
Net change in loans and finance lease	(26,203)	(242,104)
Net change in other assets	(1,317)	15,678
Net change in due to banks and other credit institutions	(372,873)	108,110
Net change in financial liabilities at fair value through profit or loss	(1,013)	1,010
Net change in due to customers	(502,554)	604,425
Net change in other liabilities	3,781	17,737
<b>Cash (used in) / generated from operations</b>	<b>(915,337)</b>	<b>409,063</b>
Interest received	158,374	170,423
Interest paid	(139,650)	(183,289)
Income tax paid	(213)	(100)
<b>Net cash (used in) / generated from operating activities</b>	<b>(896,826)</b>	<b>396,097</b>

(Continued)


## AB ŪKIO BANKAS


### INFORMATION DISCLOSURES REQUIRED BY LAW FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in LTL thousands unless otherwise stated)

	Financial group	
	2011	2010
<b>Cash flows from (to) investing activities</b>		
Dividends received	109	60
Proceeds on sale of subsidiaries		-
Acquisition of investment securities	(849,185)	(2,622,311)
Proceeds from redemption or sale of investment securities	952,781	2,272,404
Acquisition of subsidiaries	-	(2,715)
Acquisition of property, plant and equipment and investment property	(3,942)	(1,894)
Disposal of property plant and equipment	983	19,273
Acquisition of intangible assets	(851)	(748)
Sale of intangible assets	-	49
<b>Net cash generated from / (used in) investing activities</b>	<b>99,895</b>	<b>(335,882)</b>
<b>Cash flows from (to) financing activities</b>		
Dividends paid		-
Increase of share capital	50,000	-
Debt securities issued	442,715	88,202
Debt securities redeemed	(296,247)	(61,740)
Subordinated loans received	-	-
Subordinated loans repaid	-	(3,608)
<b>Net cash generated from financing activities</b>	<b>196,468</b>	<b>22,854</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(600,463)</b>	<b>83,069</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,072,058</b>	<b>988,989</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>471,595</b>	<b>1,072,058</b>
		<i>(Concluded)</i>

The financial statements were approved by the Board of the Bank on 7 March 2012 and signed on its behalf by:

  
G. Ugianskis  
Chairman of the Board

  
V. Petraitienė  
Chief Accountant

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## AB ŪKIO BANKAS

### ANNEX FOR ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

#### INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

AB Ūkio bankas following Paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of the Stock Exchange NASDAQ OMX Vilnius discloses its compliance with the Governance Code, approved by the Stock Exchange NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions.

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

**Principle II: The corporate governance framework**

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

<p>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.</p>	<p>Yes</p>	<p>Pursuant to the Lithuanian Republic laws on banks and financial institutions, the Bank, as a credit institution, has set up the Supervisory Council, the Board and elected two Chief Executive Officers.</p>
<p>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.</p>	<p>Yes</p>	<p>The Board, a collegial management body, performs the functions of the Bank's management, and the Supervisory Council, a collegial supervisory body, supervises the activities of the Board and how efficiently the Board performs its functions.</p>
<p>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.</p>	<p>Irrelevant</p>	<p>The Bank has set up both the Supervisory Council and the Board.</p>
<p>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.</p>	<p>Yes/No</p>	<p>Supervisory Council is being established in the Bank. Candidates of the Banks' Supervisory Council are nominated and are being elected in the manner prescribed by the law. The Bank supposes that procedure of setting up the Supervisory Council ensures the representation of interests of the minority shareholders.</p>
<p>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.</p>	<p>Yes</p>	<p>The Bank's Board comprises 3 (three) members and the Supervisory Council – 5 (five) members.</p>
<p>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.</p>	<p>Yes</p>	<p>The Bank's Supervisory Council is elected for the period of 4 years and the number of terms of office of the Supervisory Council's member is not limited. Pursuant to the currently applicable Articles of Association of the bank as well as practice, the re-election of the same members of the Supervisory Council for the next term of office is not prohibited.</p> <p>In the Articles of Association of the Bank the possibility to recall the member of the Supervisory Council is provided and this procedure is not easier than the removal procedure for the member of the Board.</p>

## AB ŪKIO BANKAS

### ANNEX FOR ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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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 depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Bank's Supervisory Council can conduct independent and impartial supervision.
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#### **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.**

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3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of the Supervisory Council ensures objective and fair monitoring of the company's management bodies. The minority shareholders' right and possibility to have their representative in a collegial body is not restricted.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	To become member of the Bank's Supervisory Council or Board the authorization from the Bank of Lithuania has to be obtained therefore all the candidate members meet the requirements for this position. The shareholders are furnished with full information (curriculum vitae) about the candidates and during the elections possibilities are created for them to ask questions and receive desired information from the candidates.  In the annual report of the Bank the information about members' of collegial bodies' education, qualification, professional background, positions taken and other significant aspects is provided. This information also is provided in the Bank's website.
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	In the curriculum vitae of candidates, provided for the general shareholders' meeting, the information about their education, qualification, professional background and other information on candidate's particular competences is provided.  In the interim reports of the Bank the information on collegial bodies' composition is provided. In the annual report of the Bank the information about collegial bodies' members' education, qualification, professional background and other significant aspects is provided.

## AB ŪKIO BANKAS

### ANNEX FOR ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	Yes	<p>All the members of the Bank's Supervisory Council and Board possess required qualification. Pursuant to the Bank of Lithuania Board's Resolution No. 105, members of a Bank's Supervisory Council should have higher education, and at least two members of the Board should have a specific education, i.e. higher education in law, management and business administration or economics. The Bank's Supervisory Council and Board include members who are specialists in different fields. The members of AB Ūkio bankas Supervisory Council and Board meet the requirements set by the Bank of Lithuania.</p> <p>The members of Bank's Audit Committee have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p> <p>At least three members of the established Remuneration Committee of the Bank have knowledge of and experience in the field of remuneration policy.</p>
<p>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.</p>	Yes/No	<p>At the Bank, new members of the collegial bodies are granted the right to be familiarized with all the orders, procedures and policies applicable in the Bank as well as the Bank's organizational structure in order a newly elected member of the collegial body could evaluate the current situation of the Bank and familiarize himself/herself with the bank's activities.</p> <p>The Bank does not apply any procedures for estimation of Bank's collegial body.</p>
<p>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.</p>	No	<p>The Bank supposes that in order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, it is sufficient to meet the standards and provisions set in the acts of law of the Republic of Lithuania. Election of Supervisory Council independent members could not be regulated, because members are elected by general shareholders' meeting and candidates with majority votes are being selected.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p>	No	<p>See commentary on the recommendation 3.6</p>

## AB ŪKIO BANKAS

### ANNEX FOR ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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- 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;
- 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;
- 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);
- 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);
- 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;
- 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;
- 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.

## AB ŪKIO BANKAS

### ANNEX FOR ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	See commentary on the recommendation 3.6
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	See commentary on the recommendation 3.6
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	See commentary on the recommendation 3.6
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	See commentary on the recommendation 3.6

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#### **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.**

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4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Supervisory Council elected at the Bank issues responses and recommendations concerning the company's annual Financial Statements, draft of profit distribution, the company's annual report and activities of the Board and the Bank's management to the general shareholders' meeting, and performs other functions of supervising the activities of the Bank and its management bodies ascribed to the competence of the Supervisory Council.
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<p>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).</p>	Yes/No	<p>According to the data possessed by the Bank all the Supervisory Council's members act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare.</p> <p>In the decision making members of the Supervisory Council are following obligations of confidentiality thus striving to maintain their independence.</p> <p>There are no independent members.</p>
<p>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.</p>	Yes	<p>The Bank follows this recommendation since the members of the collegial bodies properly perform their functions, i.e. they actively participate in the meetings of the collegial body and devote sufficient time to perform their duties as collegial members.</p>
<p>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.</p>	Yes	<p>The Bank's collegial body always treats all shareholders impartially and fairly.</p>
<p>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.</p>	Yes	<p>The Bank follows this recommendation because any transactions concluded between the Bank and its shareholders, members of the supervisory or managing bodies and similar are subject to approval of the Supervisory Council or the Board depending on the size of the transaction and the level of members with whom the transaction is concluded.</p>



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<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	Yes	<p>The Bank's collegial body is independent in passing decisions that are significant for the Bank's operations and strategy. Members of the collegial body act and pass decisions without an outside influence from the persons who have elected them. The Supervisory Council is independent of the Board. All the committees currently operating at the Bank are provided with all resources to discharge their duties. All the Bank's employees provide required information to the members of the Bank's Supervisory Council in order they could properly execute their functions and deal with the issues pertaining to their competence.</p>
<p>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.</p>	Yes	<p>The Bank has set up the Audit Committee, which exercises the Bank's internal audit control.</p> <p>The Bank has set up the Remuneration Committee which provides the recommendations for the Bank's Supervisory Council and Board regarding the principles of managing employees remuneration policy and its improvement, revises the remuneration policy applied and looks after its implementation. The Committee of the Nomination is not established, the functions of the committee are handled by the Bank's Board and Chief Executive Officer with advising Head of Human Resources.</p>
<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	Yes	<p>The Audit Committee acts in its own right and issues recommendations related to the audit control carried out in the Bank to the Bank's Supervisory Council and the Board.</p> <p>The Remuneration Committee acts in its own right and issues recommendations related to the remuneration policy carried out in the Bank to the Bank's Supervisory Council and the Board. The Committee of the Nomination is not established, the functions of the committee are handled by the Bank's Board and Chief Executive Officer with advising Head of Human Resources.</p>



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<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	Yes/No	<p>The Audit Committee is composed of three members.</p> <p>The Remuneration Committee is composed of five members.</p> <p>The Nomination Committee is not established.</p>
<p>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.</p>	Yes	<p>The authority delegated to the Audit Committee as well as its accounting is set in the Committee's provisions approved by the Supervisory Council.</p> <p>The authority delegated to the Remuneration Committee as well as its accounting is set in the Committee's provisions approved by the Board.</p> <p>In the annual report of the Bank the information on existing committees and their composition, number of meetings, and their main activities is provided.</p>
<p>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.</p>	Yes	<p>The Audit and Remuneration Committees work and hold their meetings in the manner prescribed in this recommendation.</p>

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#### 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.

#### 4.13. Remuneration Committee.

4.13.1. Key functions of the remuneration committee should be the following:

- 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;
- 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;
- 3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;

No

The Nomination Committee is not established in the Bank, the functions of the committee are handled by the Bank's Board and Chief Executive Officer with advising Head of Human Resources.

Yes

The Bank has set up the Remuneration Committee, which performs the functions that are established in the Regulations governing the activities of the Bank's Remuneration Committee and fundamentally do not differ from those indicated in this recommendation.

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- 4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;
- 5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;
- 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);
- 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

- 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;
- 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;
- 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.

4.14. Audit Committee.

4.14.1. Key functions of the audit committee should be the following:

- 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);
- 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;
- 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its

Yes

The Bank has set up the Audit Committee, which performs the functions that are established in the Regulations governing the activities of the Bank's Audit Committee and fundamentally do not differ from those indicated in this recommendation.

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- findings and recommendations. 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 centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

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

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

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

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timely furnished information on all issues arising from the audit.

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

regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.

No The Bank does not apply any procedures for estimation of Bank's collegial body.

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#### 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.**

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5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.

Yes The Bank implements this recommendation. Regulations of the Bank's Supervisory Council and the Board activities are formulated in the manner prescribed in this recommendation.

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.

Yes The Bank implements this recommendation. See commentary on the recommendation 5.1

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

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#### 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.

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6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares comprising the Bank's capital grant equal rights to all holders of the Bank's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Bank publicly informs investors about the rights granted by the new or already issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	<p>The decisions concerning the investment, transfer, lease (calculated separately for each type of transaction concerning non-current assets whose balance-sheet value is bigger than 1/2 of the Bank's authorized capital), pledge and mortgage (the total amount of transactions is calculated) of non-current assets whose balance-sheet value is bigger than 1/20 of the Bank's authorized capital; the security and guarantee of performance of other persons' obligations whose amount is bigger than 1/20 of the bank's authorized capital; the acquisition of non-current assets at the price bigger than 1/20 of the Bank's authorized capital are decreed by Bank's Board.</p> <p>Shareholders of the Bank are aware of important transactions by the Bank's announcements on material events.</p>

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



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#### 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	The Bank implements this recommendation. The members of Bank's Supervisory Council and the Board avoid conflicts of personal interests and implement other provisions of this recommendation.
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	See commentary on the recommendation 7.1
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	See commentary on the recommendation 7.1
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	See commentary on the recommendation 7.1

#### Principle VIII: Company's remuneration policy

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

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	Yes/No	The Bank prepares a statement of the company's remuneration policy in compliance with the Minimal requirements for remuneration policy of the employees of the credit institutions approved by Management Board of the Bank of Lithuania by resolution No.03-175 on December 23, 2010. This remuneration statement is published as a part of Bank's annual report.
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<p>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.</p>	Yes/No	See commentary on the recommendation 8.1
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"><li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li><li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li><li>3) An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li><li>4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li><li>5) Sufficient information on deferment periods with regard to variable components of remuneration;</li><li>6) Sufficient information on the linkage between the remuneration and performance;</li><li>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li><li>8) Sufficient information on the policy regarding termination payments;</li><li>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li><li>10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li><li>11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li><li>12) A description of the main characteristics of supplementary pension or early retirement schemes for directors;</li><li>13) Remuneration statement should not include commercially sensitive information.</li></ol>	Yes/No	See commentary on the recommendation 8.1
<p>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.</p>	Yes/No	See commentary on the recommendation 8.1

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8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.

Yes/No

See commentary on the recommendation 8.1

8.5.1. The following remuneration and/or emoluments-related information should be disclosed:

- 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;
- 2) The remuneration and advantages received from any undertaking belonging to the same group;
- 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;
- 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;
- 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;
- 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.

8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:

- 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;
- 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;
- 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;
- 4) All changes in the terms and conditions of existing share options occurring during the financial year.

8.5.3. The following supplementary pension schemes-related information should be disclosed:

- 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;
- 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.

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

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

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<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"><li>1) Grant of share-based schemes, including share options, to directors;</li><li>2) Determination of maximum number of shares and main conditions of share granting;</li><li>3) The term within which options can be exercised;</li><li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li><li>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.</li></ol> <p>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.</p>	Irrelevant	See commentary on the recommendation 8.13
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	Irrelevant	See commentary on the recommendation 8.13
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Irrelevant	Employees of the Bank and employees of subsidiary companies are not remunerated with shares, share options or any other rights to acquire shares.
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	Irrelevant	See commentary on the recommendation 8.13

**Principle IX: The role of stakeholders in corporate governance**

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

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

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#### 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.**

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<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"><li>1) The financial and operating results of the company;</li><li>2) Company objectives;</li><li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li><li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li><li>5) Material foreseeable risk factors;</li><li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li><li>7) Material issues regarding employees and other stakeholders;</li><li>8) Governance structures and strategy.</li></ol> <p>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.</p>	Yes	The Bank follows this recommendation since information about the Bank's objectives, results etc. is announced on the Bank's website, the public information system of the Exchange, in the Bank's annual reports and securities' prospectuses.
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>	Yes	See commentary on the recommendation 10.1
<p>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.</p>	Yes	See commentary on the recommendation 10.1
<p>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.</p>	Yes	See commentary on the recommendation 10.1

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

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#### 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.

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11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements	Yes	The Bank follows this recommendation since an independent company of auditors conducts the audit of the Bank's annual financial statements and report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Bank follows this recommendation since the candidate company of auditors is proposed to the general shareholders' meeting by the company's Supervisory Council even though it can also be proposed by the shareholders or the Bank's Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	During the last reporting year the company of auditors has received from the Bank the fees not only for audit services but also for non-audit services, i.e. business, taxation and risk management advisory services.  The Bank's Supervisory Council and the Board dispose of all information about the fees received by the company of auditors from the Bank.

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