Annual Report 2008

DnB NORD Bankas

KEY FINANCIAL DATA

INCOME STATEMENT:
key figures (LTL thousand)

	Group		Bank	
	31 12 2008	31 12 2007	31 12 2008	31 12 2007
Interest income	817,257	529,911	759,284	494,605
Net interest income	308,547	242,227	294,035	231,844
Net fee and commission income	68,520	59,020	64,700	55,735
Net gain on operations with securities, derivative financial instruments and foreign exchange	7,031	23,364	6,736	24,751
Administrative and other operating expenses	(208,609)	(179,740)	(193,135)	(167,474)
Impairment losses and provisions	(99,894)	(20,139)	(95,152)	(19,072)
Net profit	69,407	106,917	70,737	107,884

BALANCE SHEET:
key figures (LTL thousand)

	Group		Bank	
	31 12 2008	31 12 2007	31 12 2008	31 12 2007
Loans and advances to customers	11,179,610	8,810,217	11,260,940	8,869,160
Securities	963,785	730,287	961,021	729,077
Finance lease receivables	901,735	754,338	-	-
Total assets	13,957,650	11,413,206	13,101,513	10,631,469
Due to customers	3,821,532	4,249,598	3,858,697	4,264,038
Due to banks	7,498,090	4,943,502	6,606,993	4,172,686
Debt securities in issue	1,179,048	1,116,124	1,179,048	1,116,124
Share capital	868,217	569,439	868,217	569,439
Other reserves	75,137	163,197	76,072	162,389

KEY RATIOS

Year	2006		2007		2008	
	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	15.0	15.2	17.8	18.0	7.9	8.1
Cost/income ratio (percent)	62.1	60.9	51.9	50.5	50.9	49.7
Earnings per share (LTL)	19.80		35.93		17.86	

CREDIT RATING

Agency	Long term borrowing rating/ outlook	Short term borrowing rating	Support rating	Individual rating	Date
FitchRatings	A / stable	F1	1	C/D	07 10 2008

INDEX

KEY FINANCIAL DATA	2
STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD	4
HIGHLIGHTS 2008	5
VISION AND MISSION	6
MACROECONOMIC OVERVIEW	7
CHALLENGING YEAR	8
FOCUS ON CUSTOMER	11
RETAIL BANKING	12
CORPORATE BANKING AND SMALL AND MEDIUM SIZE ENTERPRISES	14
INVESTMENT BANKING	16
STRATEGY AND PLANS	17
STAFF IS THE BANK'S STRENGTH AND ADVANTAGE	18
SUPERVISORY COUNCIL AND MANAGEMENT BOARD	20
AUDIT COMMITTEE	22
BANK AND SOCIETY	23

Management Board. Gundars Andžans, Dr. Jekaterina Titarenko, Chairman of the Management Board Werner H. Schilli, Vice-Chairman of the Management Board Dr. Vygintas Bubnys, Sigitas Žutautas, Fredrik J. Borch

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Customers and Shareholders,

In the challenging and vibrant economic environment AB DnB NORD Bankas Group consolidated its position among the country's top three financial institutions and achieved most of the goals set at the start of the year.

Pursuing conservative risk management policy we strengthened our position both in retail and corporate market, continued to lead the country's structured investment products' market and enjoyed a top creditworthiness rating in the local banking industry despite the adverse situation in global financial markets and sharp downturn of Lithuania's economic growth seen in the second half of the year.

After a few years of high credit demand lifted by the positive economic sentiment after the country's European Union entry and low lending rates, the credit growth showed clear signs of cooling down in the second half of 2008. In response to the changing economic cycle we adjusted our credit policies accordingly, at the same time strengthening our focus on savings and investment.

With clear evidence of a slowing economy our lending became more conservative. Our team worked hard to manage adequately the risks arising and stayed focused on maintaining credit portfolio quality at appropriate level. The constant focus on further improvement of operating efficiency, enhanced attention to risk management and efforts to keep costs in check, helped us to offset somewhat the impact of challenging operating environment on the full year financial result that in the fourth quarter of 2008 was negatively affected by higher specific provision expenses mostly in real estate development and transport sectors.

For the second year running the international banking and finance magazine Euromoney ranked DnB NORD as the Best Bank in Lithuania. That is a clear signal that our strategy to focus on long-term relationships with customers by delivering them superior service quality delivers continuous success. We are proud about this award and take it as obligation to work even harder making every effort to make more customers choose DnB NORD as their home bank. Therefore we are very proud that the number of our customers rose by more than one tenth over the year.

We strongly believe that during periods of economic changes, customers more than ever need open and professional dialogue, and our firm intention is to further concentrate on providing them comprehensive financial advice and guidance to ensure their and the bank's further success.

On behalf of the Management Board I would like to thank all customers, employees and shareholders for confidence and contribution to our common goal - to make the bank the most dynamic financial institution in Lithuania.

Werner Heinz Schilli
Chairman of the Management Board,
President of the Bank

HIGHLIGHTS 2008

THE BEST DEBT HOUSE **THE BEST BANK IN LITHUANIA**

- The amendments to the bylaws registered reflecting the increase of the authorized capital of *AB DnB NORD Bankas* to LTL 591 million.
- The assets of *AB DnB NORD Bankas* Group rise to LTL 14 billion.
- Euromoney magazine ranks *AB DnB NORD Bankas* as the Best Bank in Lithuania.
- The international rating agency Fitch Ratings affirms the sector's top long term borrowing rating at A.
- OMX NASDAQ Vilnius Stock Exchange grants The Initiative of the Year award for the bank's active role on the country's debt securities market.
- The number of the bank's customer's tops 600 thousand benchmark.
- The exclusive cooperation agreement with Germany's „Vereinigte Hagelversicherung VVaG" signed.
- The bank advises on implementation of one of the country's pargest acquisition deal in 2008.
- The bank achieves the best so far customer service quality mark.

VISION AND MISSION

Vision of the Bank

- Our goal is to be the most dynamic and reliable financial institution in Lithuania. region. We use Team spirit and Simplicity as our instruments to create Dynamics.
- DnB NORD Bankas aims to be among the top three banks in the Baltic region (as part of DnB NORD group)

Mission of the Bank

- We want to be your bank for the future of your business. We believe that everything is possible. Just follow your ideas. Others try, we do it!
- We help our customers to realise their ambitions, to be an important part of their business and daily life.
- We take challenges as chances. We enjoy to work hard and to make things happen.

Values of the Bank

- Dynamics: we act!
- Simplicity: we know that simple solutions are better than complicated structures
- Team spirit: we believe we are strong together
- Reliability: we build our bank on Trust and Fairness

Strategic priorities of the Bank

- Our main focus is on retail customers (individuals and small legal entities);
- We are working with corporate customers;
- We do investment banking, asset management and leasing.

Quality policy

The Quality Policy is our commitment to ensure high quality in everything we do.

- The key to success is satisfaction of customer needs and expectations;
- Continuous quality improvement is ensured by each employee participating in this process with suggestions and ideas;
- Customer responses enable us to find out more about our customer needs and expectations and hence to continuously improve our service;
- Team spirit, simplicity and dynamics are the base for quality improvement. The Bank's management commits itself to allocate necessary resources to implement this Quality Policy.

MACROECONOMIC OVERVIEW

Lithuanian economy resisted to global downturn in the first half of 2008, however set to join the other two Baltic states in recession by the year-end. The annual change of Lithuanian gross domestic product (at constant prices) decelerated to 2.9 percent year on year in the third quarter last year, and contracted by 2% in the fourth quarter. As a result, the economy grew by mere 3.1 percent in 2008, almost three times slower than a year ago.

The performance of key economic sectors worsened sharply. Industrial production except mineral products shrank by 5 percent in 2008 and dropped further over the first months of 2009. Retail trade sales on the back of decelerating consumption grew marginally in 2008 (4.1 percent compared to 17.2 percent in 2007). Turnover dropped sharply by 8.8 percent year on year in December and contracted further by 27.2 percent in January. Construction sectors' performance has worsened markedly as well. The annual growth of works carried out by construction enterprises within the country dropped from 22 percent in 2007 to only 1 percent last year. The latter indicator remained above zero mainly due to the increasing civil engineering works, while building construction, which accounts for 60 percent of total construction works, dropped by 4 percent in 2008. Increased borrowing costs, financial and macroeconomic uncertainty had an adverse effect on residential real estate market developments. The number of housing transactions in 2008 slumped by 35 percent, compared to 2007. Over a span of this year the number of dwelling-purchasing transactions is expected to contract further by considerable 30 percent. Transport sector, after an exceptional development in 2007, also fell into stasis last year, reflecting sluggish external and domestic demand. Annual profitability ratio of non-financial corporations slipped down from 8.8 percent in 2007 to only 3.9 percent.

Sharp decrease in major activities led to the deteriorating labour market indicators – harmonized unemployment rate stroke over 8 percent in December and was first time above the Eurozone average. In January, the unemployment figure soared to 9.8 percent and is expected to stay within the two-digit area throughout 2009. Rising at a rapid pace unemployment has put an end to buoyant growth of earnings: real wages increased by about 6 percent in the fourth quarter of 2008 and will decelerate in 2009-2010.

Inflationary pressure also eased down, the annual change in harmonized consumer price index was 8.5 percent in December, compared to 12.7 percent in June 2008. Over the first months of 2009 prices rose somewhat, reflecting the increase in excise duties and higher value-added tax, not least the removal of most VAT exemptions. However inflation is expected to crawl down further to 3 percent in the end of the year and dwindle to about 2 percent level in 2010.

Credit growth to the private sector decreased significantly in 2008. The annual growth rate of loan portfolio to households and non-financial corporations slackened more than two times from nearly 45 percent in the 2007-end to below 18 percent in December 2008. It expected that the loan portfolio growth will deteriorate further through 2009, reflecting tighter credit conditions and poor prospects of overall economic stance.

Budget performance remains poor and first months of 2009 suggest the revenue collection will suffer strongly from the economic downturn. Moreover, rising unemployment has an adverse effect on public finances. General government budget deficit is set to rise close to the Maastricht limit of 3 percent of GDP in 2009 -2010.

The rapidly deteriorating outlook has prompted the government to respond the crisis by stiff reduction of spending and lifting taxes, to bring fiscal deficit under control. Later the economic stimulus package, amounting about 5 percent of GDP was introduced. The stimulus package rests mainly on European Investment bank funding, EU structural support and borrowing from commercial banks. The package is targeted at improving energy efficiency of the building stock, reanimating the credit market, export and foreign direct investment promotion and accelerating assimilation of EU funds.

Lithuania: Key macroeconomic indicators

	2006	2007	2008
Real GDP, annual change, %	7.8	8.9	3.0
HICP inflation, end of period, %	4.5	8.2	8.5
Labour costs, annual change, end of period, %	19.4	20.8	9.9
Harmonized unemployment rate, end of period, %	4.7	4.4	8.2
Current account balance, ratio to GDP, %	-9.5	-14.6	-11,6
General government budget balance, ratio to GDP, %	-0.4	-1.2	-3.2

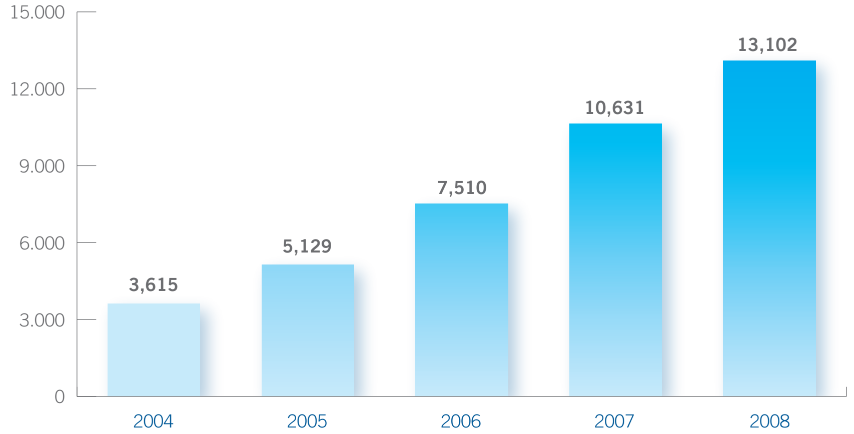
CHALLENGING YEAR

In the challenging and vibrant economic environment *AB DnB NORD Bankas* Group consolidated its position among the country's top three financial institutions and achieved most of the goals set at the start of the year. Pursuing concervative risk management policy the Group strengthened its position both in retail and corporate, continued to lead the country's structured investment products' market and enjoyed a top creditworthiness rating in the local banking industry despite adverse situation in global financial markets and sharp downturn of Lithuania's economic growth seen in the second half of the year.

Although *AB DnB NORD Bankas* Group suffered no direct impact of global financial markets, however, with clear evidence of slowing economy, its lending became more conservative. *AB DnB NORD Bankas* team worked hard to manage adequately the risks arising and stayed focused on maintaining credit portfolio quality at appropriate level. The constant focus on further improvement of operating efficiency, enhanced attention to risk management and efforts to keep costs in check, helped *AB DnB NORD Bankas* Group to offset somewhat the impact of challenging operating environment on the full year financial result that in the fourth quarter of 2008 was negatively affected by higher impairment and other provision expenses mostly in real estate development and transport sectors.

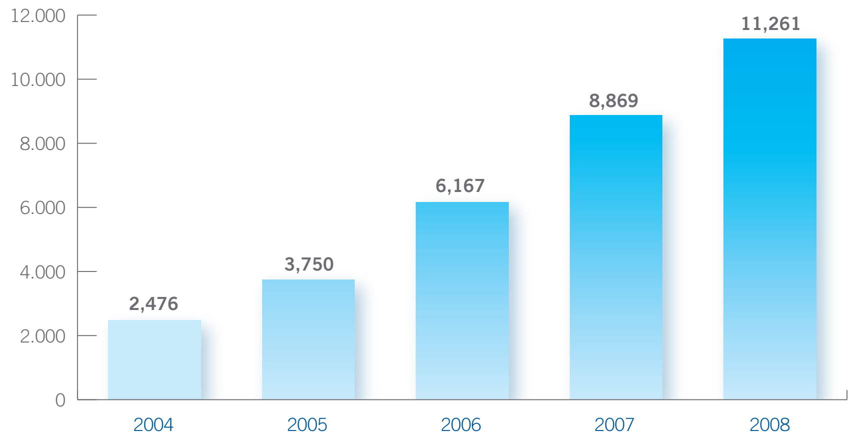
In the reporting year *AB DnB NORD Bankas* Group asset growth outpaced the market as the assets under *AB DnB NORD Bankas* Group management rose by LTL 2.5 billion or 22.3 percent to LTL 14.0 billion as at the end of 2008. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 14.63 percent of the market in terms of assets as at the end of December 2008 increasing it by 1.48 percentage point over the year. That was mostly determined by the growth of the Bank's loan portfolio.

Assets of AB DnB NORD Bankas, mio. LTL



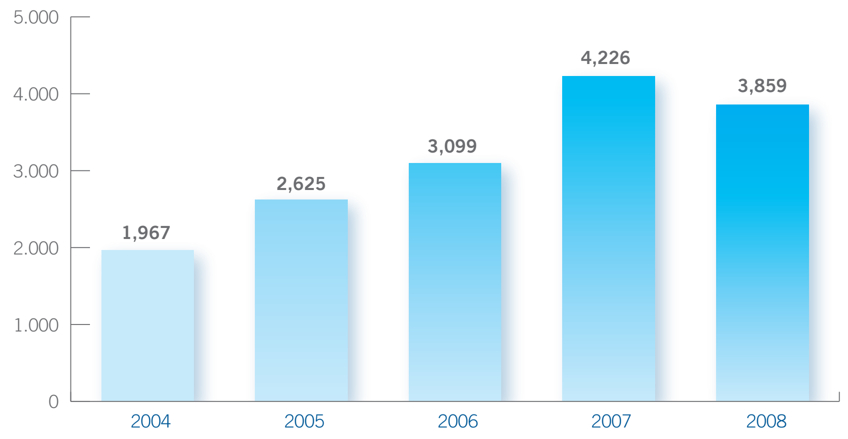
After few years of high credit demand lifted by the positive economic sentiment among individual and business customers after the country's European Union entry and low lending rates, the credit growth showed clear signs of cooling down in the second half of 2008, the process also encouraged by the country's central bank. Though asset quality remained solid throughout the year, *AB DnB NORD Bankas* adjusted its credit policies to respond to changing economic cycle. With credit growth rates stabilizing the Group's net loans to customers portfolio increased by LTL 2.4. billion or 26.9 percent year-on-year to LTL 11.2 billion as at the end of 2008. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 16.51 percent of the market in terms of loans as at the end of December 2008 increasing it by 1.20 percentage point over the year.

Loan portfolio of AB DnB NORD Bankas, mio. LTL



Customers' savings and investments at *AB DnB NORD Bankas* Group stood at LTL 5.0 billion as at the end of 2008 , of which issued debt securities amounted to LTL 1.2 billion and customers'deposits made LTL 3.8 billion. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 9.7 percent of the market in terms of deposits as at the end of December 2008 edging higher by 0.04 percentage point over the year.

Deposit portfolio of AB DnB NORD Bankas, mio. LTL



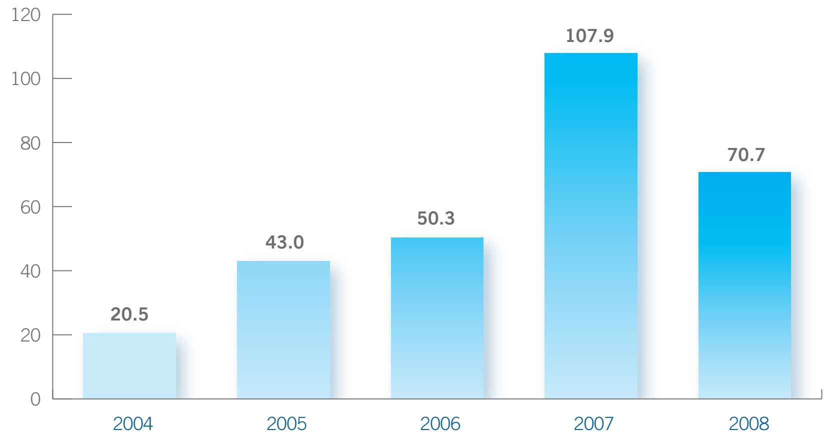
During the reporting period the Group earned LTL 377.1 million in net interest, fee and commission income, that was 25.2 percent higher compared to 2007 result. Net interest income of LTL 308.5 million earned by the Group in 2008 made the largest relative weight of 81.8 percent of net interest, fee and commission income. Net fee and commission income totaled LTL 68.5 million as of 31 December 2008 and made 18.2 percent of the net interest, fee and commission income of the Group. Compared with 2007, net interest income rose 27.4 percent and the increase of net fee and commission income represented 16.1 percent. The Group‘s income from operations with securities, derivatives and foreign currency in the reporting period made LTL 7.0 million compared with LTL 23.4 million the year before

Over 2008 the administrative and other operating expenses of the Group rose by LTL 28.9 million to LTL 208.6 million. The rise largely represented the planned investments in further upgrades of the Bank's IT systems, the development of the banking products and services, customer service network expansion and higher staff costs.

The Group's profit before income tax amounted to LTL 82.9 million in 2008. Due to higher impairment and other provision expenses mostly in real estate development and transport sectors made in the fourth quarter of 2008, the full year result before income tax was 36.8 percent lower compared to 2007 result when the Bank's profit before income tax amounted to LTL 131.0 million.

The net profit of the *AB DnB NORD Bankas* Group in 2008 was LTL 69.4 million, a 35.1 percent decrease compared to the 2007 result.

Net profit of AB DnB NORD Bankas, mio. LTL



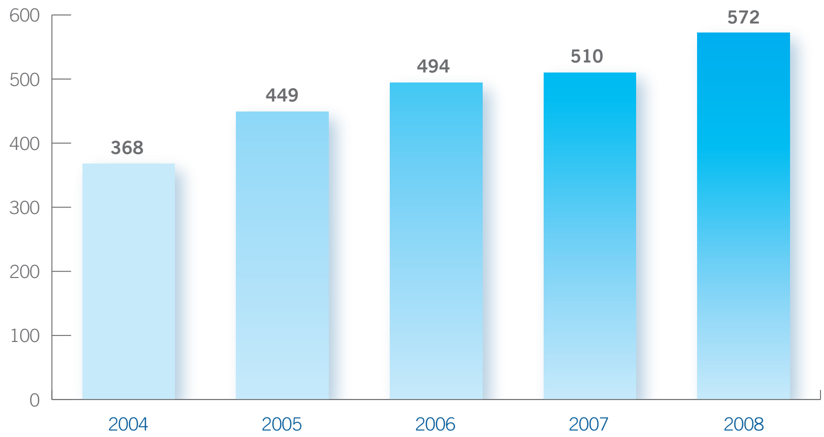
As of 31 December 2008 the Group's return on equity (ROE) was 7.9 percent. The Group's cost/income ratio was 50.9 percent.

Year	2006		2007		2008	
	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	15.0	15.2	17.8	18.0	7.9	8.1
Cost/income ratio (percent)	62.1	60.9	51.9	50.5	50.9	49.7
Earnings per share (LTL)	19.8		35.93		17.86	

FOCUS ON CUSTOMER

In the reporting year the number of customers of *AB DnB NORD Bankas* exceeded important 600 thousand benchmark. The number of *AB DnB NORD Bankas* customers rose 11.2 percent over 2008 to 624,300 as at the end of the year. The bank strongly believes that during periods of economic changes, customers more than ever need financial advice and professional service and the Bank must offer them the best possible guidance to ensure their further success and the success of the Bank's business.

Retail customers (in thousands)



To ensure appropriate service level *AB DnB NORD Bankas* measured fulfillment of Customer Service Standards several times per year. The latest Mystery Shopping Survey unveiled the Bank achieved the best result ever reaching the strategic target of 90 percent. That has been achieved due to the responsible attitude of the employees of the Bank towards customer service quality and illustrates that the managers of *AB DnB NORD Bankas* Group do their best to focus their team on servicing customers in best possible manner. Following the findings of the survey the Bank will focus on keeping the good result and improving the weaker aspects with the aim to maintain targeted Customer Service Standards.

The latest Customer Satisfaction Survey accomplished by phone calls to existing customers in December 2008 showed that loyalty and retention of *AB DnB NORD Bankas* customers was higher than average in Lithuania's finacial sector for the second year running.

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

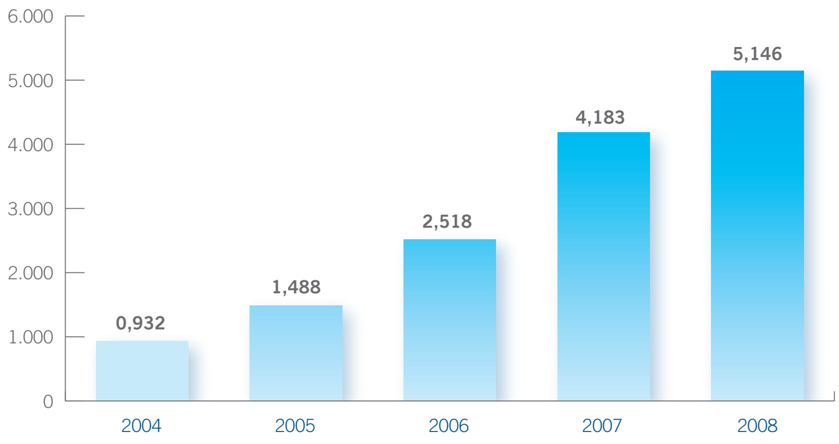
Having assessed the Bank's performance, the international banking and finance magazine Euromoney ranked DnB NORD as the Best Bank in Lithuania in July 2008. The award granted to *AB DnB NORD Bankas* for the second year running showed that sustainability is always rewarded being a clear signal that the Bank's strategy to focus on long-term relationship with customers by delivering them superior service quality delivers continuous success. The Bank is proud about this award that comes as a result of hard and persistent work of the whole team of professionals and takes it as obligation to work even harder for achieving our main goal – to be the country's most dynamic financial institution.

RETAIL BANKING

In 2008 further progress in retail banking remained the prime focus point of *AB DnB NORD Bankas* that has strong customer base, wide range of competitive products, extensive customer service branch network and user-oriented electronic banking solutions. The Bank continued to pay prime attention to customer service quality and culture, the streamlining and installation of processes that allow respond fast to changing customer needs with efforts paid to increase the Bank's brand name and product awareness.

In 2008 *AB DnB NORD Bankas* net loan portfolio to individual customers increased by LTL 1.0 billion or 23.0 percent to LTL 5.2 billion. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 17.97 percent of the market in terms of loans to individuals increasing its market share by 0.27 percentage point over the year. The Bank's consumer loan portfolio to individual customers rose 9.2 percent year-on-year to LTL 631.1 million at par. Mortgage loan portfolio saw an annual rise of 27.9 percent to LTL 3.16 billion at par. Private credits made LTL 1.3 billion as at the end of the reporting year at par.

Loan portfolio of Individuals, mio. LTL



Despite changing economic environment in the reporting year, the deposits of individual customers in *AB DnB NORD Bankas* rose by 9.3 percent to LTL 2.1 billion at the year end. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 8.73 percent of the market in terms of individual deposits increasing its market share by 0.25 percentage point over the year.

In 2008 the Bank marketed new financial services and products and continued developing the existing ones:

- offered a possibility of making a direct debit agreement via internet;
- made direct debit agreements and utility collection agreements with companies providing services;
- offered credits with special conditions for separated groups: teachers, ISM employees, clients, who already have mortgage, etc.;
- issued commemorative payment card with the picture of Trakai Castle;
- introduced a consumer loan to finance ISM Master of Management studies;
- organized product sales promotion campaigns for retail customers;
- organized a transfers of salaries campaign that allowed clients to get extra discounts;
- made improvements to saving and investment products, organized the new investment program „Garanteed Investment Program PROFIT SERTIFICATE™“, introduced a new type of term deposit – „FAST INTEREST DEPOSIT™";
- organized investment conferences for customers in Šiauliai and Kaunas;
- launched Customer relationship management system (CRM);
- improved customer service programmes that allow finding out and meeting customers' needs.

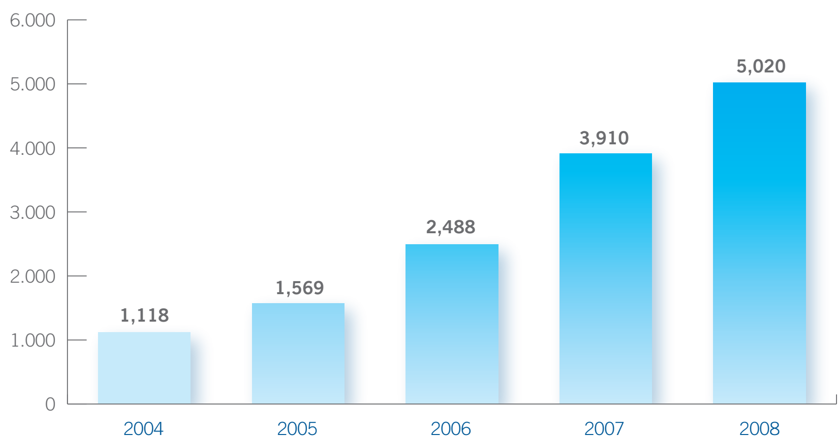
In 2008 *AB DnB NORD Bankas* continued cooperation with insurers UAB DK PZU Lietuva and UAB DK PZU Lietuva gyvybės draudimas and began partnership with Vital Forsikring ASA branch "Vital Life". The Bank offered for customers express consumer credit with life insurance, compulsory motor third party liability insurance, payment card insurance, credit limit insurance. In 2008 the Bank offered for customers new insurance products – Vital borrower's investment life insurance with mortgage loan and investment life insurance.

AB DnB NORD Bankas Group served its customers through nation-wide customer service network that at the end of 2008 consisted of 84 modern branches and subranches. That was the country's third largest customer service network. To offer its customers convenient and quality service *AB DnB NORD Bankas* opened five new outlets, reconstructed, relocated to more friendly business place or renovated according to new standard 10 outlets and closed one. At the end of 2008 the Group served its customers through a nationwide network of 84 branches and sub-branches running the country's third largest customer service network. At the end of the reporting year the Group also served its customers through 174 the Bank's own ATMs and 329 ATMs of SEB Bankas according to the cooperation agreement. This made it Lithuania's largest ATMs network available for the Group's customers. For customer convenience the Bank installed its first ATM with cash deposit function in Vilnius in 2008.

The number of customers using *AB DnB NORD Bankas* internet banking services increased by 27 percent in 2008 year on year to 290 thousand largely due to constant efforts to further improve user-friendliness of the system and its functionality, the upgrade work on both to be continued in 2009. In the reporting year 87 percent of all money transfers were performed via internet banking of *AB DnB NORD Bankas*.

During the reporting year the Bank issued 70.6 thousand new payment cards. At the end of 2008 the payment cards issued by the Bank totaled 345 thousand. The average turnover of transactions made by payment cards issued by the Bank rose by 28.3 percent year-on-year to LTL 5.02 billion.

Payment cards turnover, mio. LTL



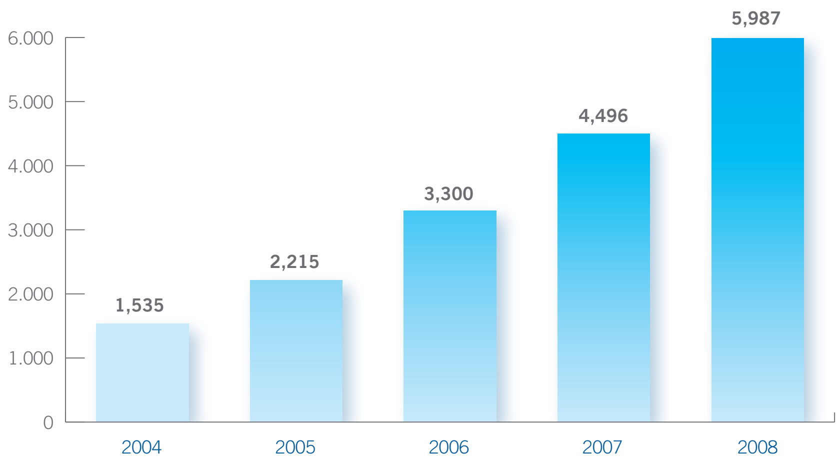
CORPORATE BANKING AND SMALL AND MEDIUM SIZE ENTERPRISES

In 2008 *AB DnB NORD Bankas* further strengthened its position in corporate banking segment as a result of being fast and flexible decision maker also benefiting from long-term relationship with its customers. In corporate banking the strategy of *AB DnB NORD Bankas* is to to become long-term partner ready to offer wide range of financial products and personalized financial consultations to its customers.

With careful selection of industries financed and proactive measures to reinforce appropriate credit policies *AB DnB NORD Bankas* corporate net loan portfolio rose by LTL 1.4 billion or 30.5 percent year-on-year to LTL 6.1 billion. According to the Association of Lithuanian Banks' data, DnB NORD Bankas held 15.53 percent of the country's corporate loan market, increasing it by 1.73 percentage points since the start of the year.

The loan portfolio grew in manufacturing, agriculture and real estate segments. The growth of loans in manufacturing segment is largely attributed to increased financing from European Union structural funds to the sector. Since the beginning of 2008 financing to real estate development sector became more limited especially from the second quarter of the year.

Loan portfolio to corporate customers, mio. LTL



In 2008, small and sedium size businesses were of high importance to *AB DnB NORD Bankas* that developed specially designed packages for existing businesses as well for business startups. Within this business segment the Bank successfully developed new solutions to agricultural sector, so far affected by economic slowdown to limited extent.

The growth of the SME loan portfolio was influenced by:

- the sales of express credit for agricultural activity;
- the improvement of the SME rating system;
- the simplification of procedures (credit applications, applications for opening accounts and payment cards, etc);
- successfully continued the contribution of the Bank to the SME micro crediting project, which was developed by UAB "Investicijų ir verslo garantijos" as a fund administrator.

Alongside with pioneering in granting short-term collateral free loans to farmers, *AB DnB NORD Bankas* also signed an exclusive cooperation agreement with the Germany's company Vereinigte Hagelversicherung VVaG. The partnership with the sole crop insurer in Lithuania opened the possibility for the bank to offer better credit terms to farmers and agricultural companies thus contributing to the successful development of the whole sector.

As at 31 December 2008 the corporate deposit portfolio of *AB DnB NORD Bankas* stood at LTL 1.8 billion, a decrease by LTL 0.6 billion or 25 percent year-on-year. According to the Association of Lithuanian Banks' data, *DnB NORD Bankas* held 11.67 percent of the country's corporate deposit market as of 31 December 2008 increasing it by 0.16 percentage point over the year.

AB DnB NORD Bankas, in cooperation with leasing and investment management subsidiaries, offered legal entities a variety of solutions that meet borrowing, investment and settlement needs of companies. The Bank made beneficial offers not only for business development but also to the staff of corporate customers.

In 2008, *AB DnB NORD Bankas* increased turnover of factoring by 26 percent. The number of customers using factoring grew 49 percent in the reporting year. In 2008 *AB DnB NORD Bankas* offered a wider spectrum of factoring services to Lithuania's businesses, speeds up decision taking process and ensures more efficient management of the trade credit risk. In the reporting year the Bank issued guarntees to legal entities 1.3 times more compared to the previous year.

In 2008, the Bank also continued the cooperation with UAB "Investicijų ir verslo garantijos" and UAB "Žemės ūkio paskolų garantijos fondas", being one of the most active credit institutions, which offers SME loans with guarantees of the above mentioned institutions.

INVESTMENT BANKING

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

As of 31 December 2008 the book value of debt securities issued by the Bank for public trading constitued LTL 1.18 billion including equity and commodity linked notes of total nominal value of 977 million, which secured the Bank the structured financial products market share exceeding 40 percent. Vilnius Stock Exchange put *AB DnB NORD Bankas* on top spot for its active business activity in the local market of debt securities granting the Bank the Initiative of the Year Award.

In 2008 the bank was increasingly active in foreign exchange market with relevant operations volumes growing faster than the market on average and market share increasing from 11 percent in 2007 to 13 percent in 2008.

In the reporting year the investment banking professionals of *AB DnB NORD Bankas* advised on one of the largest M&A deals in 2008 – sale of JSC Armila shares to Andreae-Noris Zahn AG (ANZAG) – one of the largest pharmaceutical wholesalers in Germany. The acquisition of the 92-per-cent stake in JSC Armila was the largest German foreign direct investment in Lithuania in 2008.

STRATEGY AND PLANS

In 2009 *AB DnB NORD Bankas* will continue to focus on development of efficient universal banking making use of its existing competitive advantages: fast decision making, customer centric approach, country-wide sales network, its size large enough for economies of scale in product development as well as its efficiency of back-office and risk management.

In retail *AB DnB NORD Bankas* will go on seeking a long-term relationship to its customers. An important role for the further business growth will be assigned for the development of Electronic Decision Support System (EDSS), better visibility on the market, faster development of alternative distribution channels and prioritised development of product packages, supported by analytical Customer Relationship Management System (CRM). The planned IT investments will primarily focus on CRM system development as well as further improvements in internet and mobile banking services, Contact Centre and IT service and data security management. *AB DnB NORD Bankas* investments in the network shall be used primarily to implement multi-channel strategy principles and increase the efficiency of the existing outlet network with focus on the country's top five cities.

AB DnB NORD Bankas goal for 2009 is to maintain strong position in corporate and investment banking through delivering a differentiated and personalized approach to the corporate customer based on client segmentation and increasing operating efficiency and profitability per customer. Corporate customers will be served in a personalised manner ensuring fast and flexible decision making.

The planned growth in treasury and investment banking shall be ensured through focus on innovation and higher margin products by applying an open-platform solution while moving all standard products to internet channels.

In 2009 *AB DnB NORD Bankas* will continue the implementation of a unified IT platform, a very important project that was started in early 2007 together with all banks of DnB NORD group. The new core banking system will provide a strong backbone supporting the continued growth of the group for the next 10 years, it includes possibility to share products, processes and resources as well as increased "time to market" and economy of scale. The unified IT solution will be the basis for further development of international cash management products allowing customers to manage their cross-boarder funds easier and more effectively.

Due to the worsened external environment *AB DnB NORD Bankas* in 2009 will focus on cost efficiency, proper risk management and operational excellence with support of the new technical environment.

STAFF IS THE BANK'S STRENGTH AND ADVANTAGE

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

To seek the professional advance *AB DnB NORD Bankas* Group has further developed training programs and self-learning tools, encouraging spreading of the best cases and success stories across group and using modern learning tools, such as E - learning. Employees' attestation and certification system was implemented during 2008, involving systematic introduction of new employees to certain positions and quarterly testing of knowledge of sales network employees.

In June 2008 further step of extensive management survey was taken and 360 degree survey for middle management of sales network was conducted. The results helped to identify the strengths of leadership culture in the Bank and areas for improvement that serves as base for further adequate management training programs in 2008/2009. The results of management surveys in 2007/2008 lead to distinguishment of core leadership principles for managers in *AB DnB NORD Bankas Group*, which are used for development programs and performance appraisal of all managers.

Two management conferences have been organized during 2008 to encourage creative attitude and accepting the chalenge of changes also emphasizing Smart sales philosophy, which supports new Customer promise of *AB DnB NORD Bankas Group.*

In October 2008 the traditional sales GURU day has been organized, where 200 sales managers shared their success stories and developed approaches to new solutions how to serve customers best and bring to live Customer Promise of the Bank.

With an aim of more efficient implementation of the Bank's strategic goals, the performance appraisal system has been updated and was designed to align the targets set to employees with the Bank's strategy and focus on task formation quality and efficiency. The upgraded appraisal system also puts special attention to managerial skills estimate.

With the aim of consistent implementation of group's HRM policy the centralization of HRM activities in *AB DnB NORD Bankas* subsidiary companies has been started in 2008, and it will be fully functionable in 2009.

Successful cooperation with Lithuanian high schools and colleges was maintained and traineeship programs were further developed during 2008.

As of 31 December 2008 *AB DnB NORD Bankas* Group employed 1,312 employees, and their average monthly salary amounted to LTL 3,620. In the reporting year the number of *AB DnB NORD Bankas Group* employees averaged 1,289. The increase of the number of the Group employees reflected business growth and development of branch network.

Changes in the number of employees and salaries:

	31 12 2005	31 12 2006	31 12 2007	31 12 2008
Number of staff in the Bank	1,030	1,044	1,162	1,229
Number of staff in the Group	1,065	1,086	1,223	1,312
Average monthly salary in the Group in LTL	2,560	2,750	3,245	3,620

SUPERVISORY COUNCIL AND MANAGEMENT BOARD

The Bylaws of *AB DnB NORD Bankas* provide that the bodies of the Issuer are the following: General Meeting of Shareholders, Supervisory Council, Management Board and Chief Executive Officer (President). The detailed information about rights and responsibilities of each body as well as the executive remuneration policy is provided in the consolidated annual report.

As of 31 December 2008 the Supervisory Council of *AB DnB NORD Bankas* consisted of eight members. Two of them Viktoras Valentukevičius and Antanas Zabulis are independent members of the Supervisory Council. The term of the Supervisory Council expires on 23 March 2010.

On 28 March 2008 the general meeting of shareholders elected Tony Samuelsen as a member of the Supervisory Council replacing Pal Skoe in this position. The newly elected member of the Supervisory Council Tony Samuelsen represents interests of Norway's DnB NOR. He started his office from 22 May 2008.

SUPERVISORY COUNCIL

Sven Herlyn (born 1957)
Started the new term of office as Chairman of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. He has held the position of CEO, DnB NORD Copenhagen since 2006. Mr Herlyn formerly held the position of executive vice-president at Norddeutsche Landesbank Girozentrale, Hannover. He is a graduate of University Hamburg.
No shareholdings in *AB DnB NORD Bankas*.

Dr. Juergen Allerkamp (born 1956)
Started the new term of office as a Member of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. Since 1997 Dr Allerkamp has been a member of the Management Board at Norddeutsche Landesbank Girozentrale. He graduated from the universities of Göttingen, Münster, Lausanne, holds a degree of Doctor of Law.
No shareholdings in *AB DnB NORD Bankas.*

Viktoras Valentukevičius, (born 1954)
Independent member of the Supervisory Council, started the new term of office of the Member of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. Since 2002 Mr Valentukevičius has been the general manager of AB Lietuvos Dujos. Previously he held different positions in ministries of the Republic of Lithuania. He is a graduate of Vilnius University and the Institute of International Relations of Vilnius University.
No shareholdings in *AB DnB NORD Bankas.*

Antanas Juozas Zabulis (born 1962)
Independent member of the Supervisory Council, started the new term of office of the Member of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. Since 2000 he has been the President of UAB Omnitel. Previously he held different managerial positions in UAB Statoil Lietuva. He is a graduate of Vilnius University, Bossard University Paris, International Business School of Vilnius University.
No shareholdings in *AB DnB NORD Bankas.*

Torstein Hagen (born 1967)
Started the term of office of the Member of the Supervisory Council of *AB DnB NORD Bankas* on 12 05 2006. Since 2005 he has been CCO at DnB NORD Copenhagen. Previously he held different positions at DnB and NORD/LB. He has BMA of Oslo School of Business and Economics, and MBA of University of South Florida.
No shareholdings in *AB DnB NORD Bankas*.

Georg Christoph Schulz (born 1960)
As a Member of the Supervisory Council of *AB DnB NORD Bankas* elected on 23 March 2007, the term of office of started from 24 May 2007. Since 2006 he has been a Member of the Management Board, Norddeutsche Landesbank Girozentrale. He was formerly a member of the Boards at German savings banks. He was educated at German Academy of Savings Banks.
No shareholdings in *AB DnB NORD Bankas.*

Jarle Mortensen (born 1963)
As a Member of the Supervisory Council of *AB DnB NORD Bankas* he was elected on 23 March 2007, the term of office started from 24 May 2007. Since 2004 he has been Executive vice-president at DnB NOR. Previously he held managerial positions at Sparebanken NOR and DnB NOR Bank ASA. He was educated at Norwegian School of Management.
No shareholdings in *AB DnB NORD Bankas.*

Tony Samuelsen (born 1956)
Started the term of office of the Member of the Supervisory Council of *AB DnB NORD Bankas* on 22 05 2008. Since 1985 he held different positions at DnB NOR, in 2006- 2008 he was a chief financial officer at DnB NORD A/S. Since 1 March 2008 Mr Samuelsen took the position of the vice-president at DnB NOR. He was educated at the Norwegian School of Economics and Business Administration
No shareholdings in *AB DnB NORD Bankas*

Five meetings of the Supervisory Council were held during the reporting year. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings, except Mr Georg Christoph Schulz who in the financial year participated in less than half of the meetings of the Supervisory Council.

MANAGEMENT BOARD

On 31 December 2008 the Management Board of *AB DnB NORD Bankas* consisted of five members after Alditas Saulius resigned from his position as member of the Management Board and Executive Vice President of the Bank on 5 November 2008. All the Management Board members have been appointed until the end of the term of office of the Supervisory Council that expires on 23 March 2010.

Werner Heinz Schilli
Chairman of the Management Board and President

Werner Schilli (born 1954) is the bank's Chief Executive Officer. Werner Schilli has been working in banking industry since 1970. For ten years he held office of Chairman of the Management Board at Frankfurt (Oder) Savings Bank. Werner Schilli has started his career in *AB DnB NORD Bankas* in 2002. He was educated at the Institute for Municipal Savings Banks and Credit Basis, Bonn. He is in charge of administration of *AB DnB NORD Bankas*.
No shareholdings in *AB DnB NORD Bankas.*

Dr. Vygintas Bubnys
Deputy Chairman of the Management Board and Executive Vice-president

Dr. Vygintas Bubnys (born 1958) is in charge of corporate and investment banking in *AB DnB NORD Bankas.* Vygintas Bubnys is a Doctor of social sciences. Dr. Vygintas Bubnys has been working in Lithuania's financial sector since 1990 and for six years he chaired the Management Board of Lietuvos taupomasis bankas. Dr. Vygintas Bubnys has been working in *AB DnB NORD Bankas* since 2000. He graduated from Vilnius University, holds PhD.
No shareholdings in *AB DnB NORD Bankas.*

Gundars Andžans
Member of the Management Board and Executive Vice-president

Gundars Andžans (born 1961) is in charge for strategic management of IT systems and organisation solutions. He is also a member of Management Board of *DnB NORD Banka* in Latvia. Gundars Andžans started his career in DnB NORD banking group in 2005. He is a graduate of Riga Technical University.
No shareholdings in *AB DnB NORD Bankas.*

Dr. Jekaterina Titarenko
Member of the Management Board and Executive Vice-president

Dr. Jekaterina Titarenko (born 1974) is in charge of accounting, controlling and financial risk control. Dr. Jekaterina Titarenko has been working in *AB DnB NORD Bankas* since 2003 and has been acting as the Head of Financial Risk Department. Jekaterina Titarenko is a Doctor of Social Sciences. Prior to joining DnB NORD Bankas Dr. Jekaterina Titarenko worked in the Credit institutions supervision department of the Bank of Lithuania for more than seven years. She holds PhD at Vilnius University.
No shareholdings in *AB DnB NORD Bankas.*

Sigitas Žutautas
Member of the Management Board and Executive Vice - president

Sigitas Žutautas (born 1974) is in charge of retail banking. Sigitas Žutautas started his carrier in *AB DnB NORD Bankas* in 2003 acting as the head of the Internal audit department. He worked as the head of Panevėžys Business centre of *AB DnB NORD Bankas* in 2006. Prior to joining the bank Mr. Žutautas worked for international audit company PricewaterhouseCoopers. He holds a MBA (accounting and audit) and a BSc (economics/banking) at Vilnius University.
No shareholdings in *AB DnB NORD Bankas.*

AUDIT COMMITTEE

AB DnB NORD Bankas Audit Committee is established by the Supervisory Council of the Bank. During the year 2008 four meetings of the Bank's Audit Committee were held. The Audit Committee consists of four members. The members of the Audit Committee are Jan Kuhnel (the chairman), Dr. Jurgen Allerkamp (did not participate in the meetings on 21 February 2008 and 15 May 2008, in the meetings on 21 August 2008 and 31 October 2008 he was substituted by Cord Meyer), Jarle Mortensen (did not participate in the meeting on 15 May 2008) and Sven Herlyn (did not participate in the meetings on 21 February 2008 and 31 October 2008), who resigned from his position in the Supervisory Council meeting on 5 November 2008. In this meeting a new member Torstein Hagen has been appointed.

The Supervisory Council of the Bank approved new regulations of the Audit Committee on 10 September 2008. The main activities of the Audit Committee are supervision of functioning of the internal control system of the Bank, approval of the annual audit plan for the Internal Audit Department and supervision of the audit process, review of the conclusions and recommendations of the external auditor with regard to the auditing procedure and accounting policy, determination of the risk areas of the Bank's operations to be audited by the Internal Audit Department and by the external auditor, supervision of compliance of the Bank's performance with the laws and regulations, Bylaws of the Bank and the strategy and operating policy of the Bank.

BANK AND SOCIETY

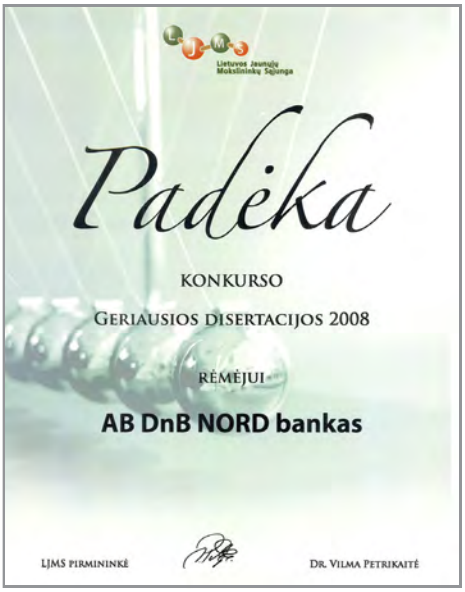
AB DnB NORD Bankas, that seeks to be partner not only in business but also in social life, supports cultural activities, sports, education and selected organizations in local communities and on a national level. *AB DnB NORD Bankas*' sponsorship is aligned with the overall DnB NORD Group sponsorship strategy: to emphasise the bank's values – dynamics, simplicity, team spirit and reliability - and promote priority focus areas of the bank.

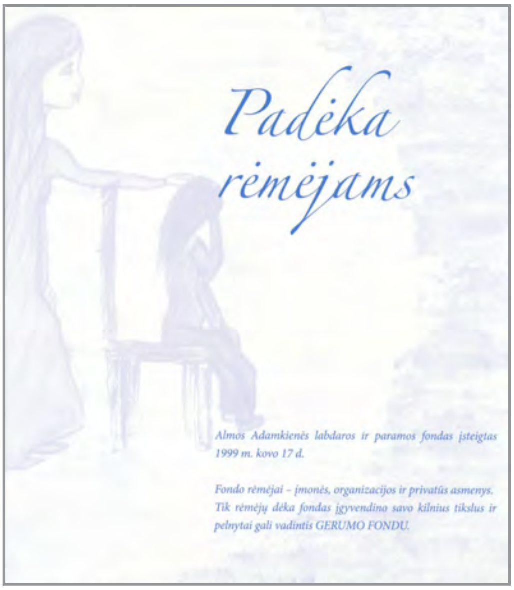
AB DnB NORD Bankas foundational sponsorship was Lithuania's National Men's Basketball team a perfect display of the bank's key values - team spirits and dynamics

To promote the understanding of *AB DnB NORD Bankas* as a relevant member of international DnB NORD financial group set up by Norway's largest bank DnB NOR and by the largest bank in North Germany NORD/LB the sponsorship of Scanorama film festival was picked up. One of the most awaited events in Lithuania's cultural life that brings best films from Nordic countries and leads to better understanding, cooperation and eventually to business success. The bank also sponsored National Philharmonics in Vilnius that hosted major orchestras from Norway and Germany and also continued partnership the Thomas Mann Music and Poetry Festival in Nida.

AB DnB NORD Bankas serves around half of Lithuania's municipalities and that is reflected in the bank's regional sponsorship strategy of contributing to the regional community success. The bank's sponsorship of Kaunas Musical theatre and donation to Kaunas Zoo delivered the recognition from local business community. Kaunas Chamber of Industry, Trade and Crafts nominated DnB NORD Bankas as the most socially responsible company in Kaunas in 2008.

For the second year running *AB DnB NORD Bankas* was proud to sponsor the initiative of Lithuania's young scientists to nominate the best master's thesis of the year. *AB DnB NORD Bankas* prize for the best humanitarian and social science master's thesis this year went to young scientist Mindaugas Strockis from Vilnius University, the award granted to nominee by the country's president Valdas Adamkus.





In 2008 DnB NORD Bankas continued cooperation with ISM University of Business and Economics aimed at partnership of education and business by sharing skills and experiences, thus contributing to education of a professional and socially responsible business community. The new partnership model in Lithuania is based on intensive exchange of theoretical and practical skills rather than financial support.

The Bank is also proud to participate in a charity project in partnership with country's first lady Alma Adamkienė Charity Fund, supporting talented children in rural areas.

Sponsorship in *AB DnB NORD Bankas* is aimed to generate networking opportunities and ultimately revenue generation through increased brand relevance and awareness to targeted consumer and business segments. Sponsorships are selected strategically, and implemented in a focused and consistent manner.

AB DNB NORD BANKAS
CONSOLIDATED ANNUAL REPORT,
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

Contents

INDEPENDENT AUDITOR'S REPORT	3
AB DNB NORD BANKAS GROUP CONSOLIDATED 2008 ANNUAL REPORT	5
THE GROUP AND BANK INCOME STATEMENT	62
THE GROUP AND BANK BALANCE SHEET	63
GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	64
BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	65
GROUP AND BANK CASH FLOW STATEMENT	66
GENERAL BACKGROUND	68
ACCOUNTING POLICIES	68
FINANCIAL RISK MANAGEMENT	81
SEGMENT INFORMATION	100
NOTES TO THE FINANCIAL STATEMENTS	102

ERNST & YOUNG

UAB „Ernst & Young Baltic"
Subačiaus g. 7
LT-01127 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01127 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

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

Report on Financial Statements

We have audited the accompanying financial statements of AB DnB NORD Bankas (hereinafter the Bank) and consolidated financial statements of the Bank together with its subsidiaries (hereinafter the Group), which comprise the balance sheets as of 31 December 2008, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AB DnB NORD Bankas and the Group as of 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

ERNST & YOUNG

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Bank and the Group taken as a whole. The financial information of the Financial group in Note 38 *Compliance with regulatory requirements* is presented for the purposes of additional analysis and is not a required part of the financial statements mentioned above. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is properly prepared in all material respects in relation to the financial statements taken as whole.

Furthermore, we have read the Group's Consolidated Annual Report for the year ended 31 December 2008 and have not noted any material inconsistencies between the financial information included in it and the Group's financial statements for the year ended 31 December 2008.

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

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

The audit was completed on 13 February 2009.

AB DNB NORD BANKAS GROUP CONSOLIDATED 2008 ANNUAL REPORT

1. REPORTING PERIOD COVERED BY THIS REPORT

This Consolidated Annual Report covers the period from 1 January 2008 to 31 December 2008.

2. THE ISSUER AND ITS CONTACT DETAILS

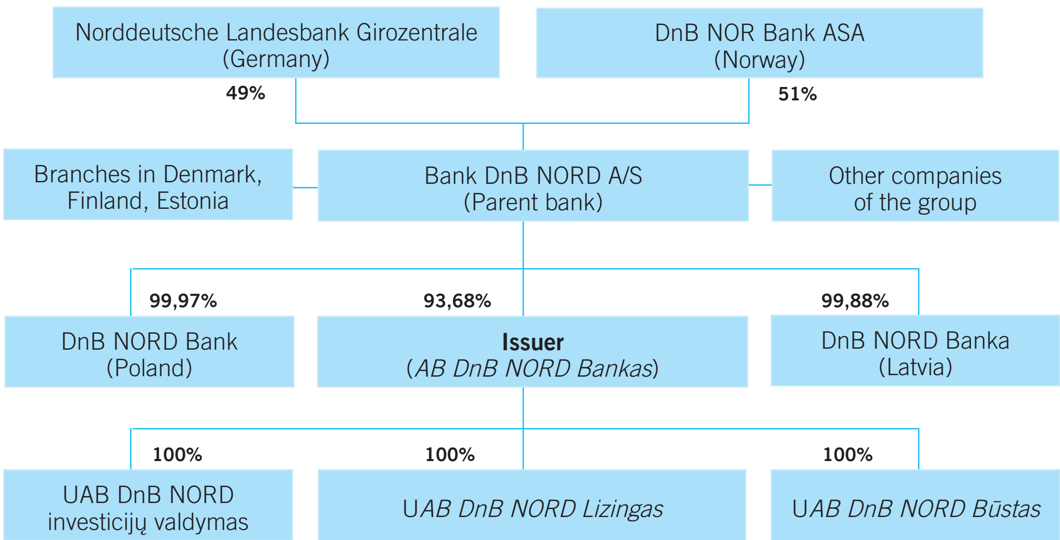
Name of the Issuer	*AB DnB NORD Bankas*
Legal status	Joint stock company
Date and place of registration	Registered with the Bank of Lithuania on 13 September 1993, registration No. 29
Company code	112029270
Office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number	(+370-5)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

3. MAIN ACTIVITIES OF THE ISSUER

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

As of 31 December 2008 *AB DnB NORD Bankas Group* (hereinafter referred to as "the Group") in Lithuania consisted of *AB DnB NORD Bankas* and its subsidiaries *UAB DnB NORD Investicijų Valdymas*, *UAB DnB NORD Lizingas* and *UAB DnB NORD Būstas*.

The organization structure of DnB NORD group and the Issuer



AB DnB NORD Bankas is a credit institution holding a license for and is engaged in acceptance of deposits and other repayable funds from unprofessional market players and lending, as well as provision of other financial services, and assumes the risks and liabilities related thereto. The Bank is engaged in the activities of commercial banks (activity code according to the Classificator of Economic Sectors – 64.19).

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

4. STRUCTURE OF THE AUTHORIZED CAPITAL

As of 20 August 2008, the amended Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities, the authorized capital of the Bank amounts to LTL 590,998, 800 (five hundred ninety million nine hundred ninety-eight thousand eight hundred). It is divided into 5,139, 120 (five million one hundred thirty-nine thousand one hundred twenty) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

From 4 June 2007 until 20 August 2008 the amendments to the Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities stating that the authorized capital of the Issuer amounted to LTL 363,691,755 (three hundred sixty-three million six hundred ninety-one thousand seven hundred and fifty-five) and it was divided into 3,162,537 (three million one hundred sixty-two thousand five hundred thirty-seven) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

As of 31 December 2008 the share capital of *AB DnB NORD Bankas* consisted of:

Type and class of shares	ISIN code of securities	Number of issued shares	Nominal value per share, LTL	Aggregate nominal value, LTL	Share in authorized capital, percent
Ordinary registered shares	LT0000100174	5,139,120	115	590,998,800	100.00

The entire authorized capital of *AB DnB NORD Bankas* was paid up and no restrictions other than those provided by the legal acts apply to the shares of the Bank as to their disposal. *AB DnB NORD Bankas* has not issued any convertible securities.
All the shares of the Issuer are issued for public trading on its own (i. e. neither through the Stock Exchange nor using brokerage services).

As of 31 December 2008 *AB DnB NORD Bankas* did not own its own shares. Over the reporting year *AB DnB NORD Bankas* neither acquired nor sold its own shares or the shares of its subsidiaries.

No restrictions other than those provided by the legal acts apply to the securities issues of *AB DnB NORD Bankas* and there are no requirements to receive approval from the Issuer or other holders of securities.

At the extraordinary general meeting of shareholders of the Issuer held on 29 September 2008, the shareholders adopted the resolution to increase the authorized capital of the Bank by additional contributions of shareholders by LTL 31,105,200, i.e. from LTL 590,998,800 to LTL 622,104,000 by issue of 270,480 new ordinary registered shares with par value of LTL 115 and minimum issue price of each share - LTL 260, minimum issue price of all issued shares - LTL 70,324,800. According to the resolution the newly issued shares shall be paid up in monetary contributions. The newly issued shares shall be subscribed by the shareholders of the Issuer which were shareholders of the Issuer on the end of the tenth business day following aforementioned extraordinary general meeting of shareholders. The resolution of the general meeting of shareholders has not been implemented at the moment of preparation of this Consolidated 2008 Annual Report.

The history of the Issuer's authorized capital formation:

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

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

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

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

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

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

5. SHAREHOLDERS

As of 31 December 2008 there were 1,053 shareholders in *AB DnB NORD Bankas.*
As of 31 December 2008 the following shareholders of the Bank held more than 5 percent of the registered share capital of LTL 590,998,800:

Shareholder	Office address	Type of the company	Code	Number of ordinary registered shares	Share of the authorized capital held and number of votes, percent	
					Owned	With associates
Bank DnB NORD A/S	Dampfaergevej 28, 2100 Copenhagen, Denmark	Bank	28691947	4,814,122	93.68	93.68
Customers of Skandinaviska Enskilda Banken	Sergels Torg 2 Stockholm, Sweden	Bank customers	502032-9081	257,188	5.00	5.00

As of 31 December 2008 other individuals and legal entities had 67,810 ordinary registered shares of the Bank. That made 1.32 percent of the authorised share capital of the Issuer.

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

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

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

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

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

During the preparation of the 2008 consolidated annual report, on 14 January 2009 *AB DnB NORD Bankas* was notified by Bank DnB NORD A/S (hereinafter referred to as the "Offeror") that as of 8 January 2009, the Offeror's Board of Directors resolved to announce a voluntary takeover bid to acquire all the remaining 324,998 (three hundred twenty four thousand nine hundred ninety eight) ordinary registered shares ofthe Issuer, at a price of 125 LTL per ordinary registered share, on the condition that the Offeror acquires at least 292,499 (two hundred ninety two thousand four hundred ninety nine) shares.

The intended method for settlement for the ordinary registered shares of the Issuer to be acquired - monetary payment.

Minimum number of the Issuer's shares intended for purchase - 292,499 (two hundred ninety two thousand four hundred ninety nine) ordinary registered shares. The failure to tender minimum number of shares by the responding shareholders of the Issuer, will result in the failure of the takeover bid.

6. ARRANGEMENTS THAT WOULD BE ENFORCED, CHANGED OR TERMINATED AS A RESULT OF CHANGE IN THE ISSUER'S CONTROL

As of 31 December 2008 the following ISDA Master Agreements, whereunder counterparties have the right to terminate the transactions with the Issuer in case of a change in the Issuer's control, were in force:
– ISDA Master Agreement with UBS Limited dated 13 January 2006;
– ISDA Master Agreement with UBS AG dated 13 January 2006;
– ISDA Master Agreement with Calyon dated 15 November 2007;
– ISDA 2002 Master Agreement with JPMorgan Chase Bank N.A. dated 19 May 2008;
– ISDA Master Agreement with Barclays Bank Plc dated 18 December 2008.

As of 31 December 2008 the Issuer had no other significant arrangements that would be enforced, changed or terminated as a result of the change in the Issuer's control.

7. INFORMATION ON SECURITIES LISTED ON REGULATED MARKETS

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

As of 31 December 2008 the number of shares admitted to the Additional Trading List on Vilnius Stock Exchange was 5,139,120 (five million one hundred thirty-nine thousand one hundred and twenty). All shares are ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

Following the 28 March 2008 resolution of the general shareholder meeting of *AB DnB NORD Bankas* to increase the authorised capital of the Bank from the own funds of the Bank and by additional contributions of shareholders, by LTL 227,307,045 i.e. from LTL 363,691,755 to LTL 590,998,800 by issue of 1,976,583 new ordinary registered shares with par value of LTL 115. Accordingly, Vilnius Stock Exchange recalculated the reference price of *AB DnB NORD Bankas* ORS (ISIN code LT0000100174, order book - NDL1L) to LTL 302.67 in accordance with article 3.2.4 of Annex 3 to the Vilnius Stock Exchange Trading Rules (decision to increase the authorised capital out of the funds of the company by a pro rata increase in the number of the shares held by each shareholder).

On 20 of August 2008, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the abovementioned increase of the Bank's authorised share capital.

AB DnB NORD Bankas stock capitalization and turnover in 2006-2008

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

AB DnB NORD Bankas share price and OMXV annual changes in 2006-2008

Reporting period	Share price*						OMXV		
	Beginning of period, LTL	End of period, LTL	Change, pct.	Low, LTL	High, LTL	Average, LTL	Beginning of period, LTL	End of period, LTL	Change,%
2006	266.67	290.67	9.00	223.33	290.67	259.24	448.76	492.65	9.78
2007	290.67	290.00	-0.23	260.00	333.33	292.79	492.65	514.23	4.38
2008	290.00	75.00	-74.20	72.00	303.33	280.37	514.23	179.25	-65.14

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

AB DnB NORD Bankas share price and trade turnover in 2006-2008

As of 31 December 2008 the following debt securities of *AB DnB NORD Bankas* were listed on regulated markets:

Name of securities (ISIN code)	Regulated market	Number of securities	Nominal value per unit	Aggregate nominal value	Maturity
4.33 percent fixed rate note issue No.1 (LT0000403388)	Vilnius Stock Exchange list of debt securities	250 000	100 (LTL)	25 000 000 (LTL)	26 09 2009
Fixed rate note issue No. 1/2008 (LT0000401507)	Vilnius Stock Exchange list of debt securities	579 690	100 (LTL)	57 969 000 (LTL)	13 02 2009
Fixed rate note issue No. 2/2008 (LT0000401523)	Vilnius Stock Exchange list of debt securities	184 655	100 (LTL)	18 465 500 (LTL)	26 03 2009
Fixed rate note issue No. 3/2008 (LT0000401556)	Vilnius Stock Exchange list of debt securities	476 425	100 (LTL)	47 642 500 (LTL)	31 05 2009
Fixed rate note issue No. 4/2008 (LT0000401614)	Exchange list of debt securities	358 358	100 (LTL)	35 835 800 (LTL)	24 07 2009
Fixed rate note issue No. 5/2008 (LT0000401689)	Exchange list of debt securities	337 579	100 (LTL)	33 757 900 (LTL)	28 09 2009
Fixed rate note issue No. 6/2008 (LT0000401747)	Exchange list of debt securities	49 461	100 (LTL)	49 46 100 (LTL)	18 10 2009
Fixed rate note issue No. 7/2008 (LT0000402406)	Exchange list of debt securities	129 003	100 (LTL)	12 900 300 (LTL)	15 11 2010

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

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

8. MAIN CHARACTERISTICS OF DEBT SECURITIES ISSUED FOR PUBLIC TRADING

As of 31 December 2008 the book value of debt securities issued by the Issuer for public trading constituted LTL 1.18 billion.

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

The main characteristics of the debt securities issued by the Issuer are provided in annex No 1 of this consolidated annual report.

9. INFORMATION ON RELEVANT AGREEMENTS WITH RELATED PARTIES

AB DnB NORD Bankas has extended to subsidiary *UAB DnB NORD Lizingas* credit limit of LTL 200 million with an outstanding credit of LTL 80.9 million as of 31 December 2008. The Bank has also extended limit of financial obligations for guarantees, letters of credits and indemnities for LTL 507 million to the subsidiary.

Detailed information on relevant agreements with related parties is provided in Note 36 of the 2008 Financial statements.

10. MAJOR EVENTS OVER THE REPORTING PERIOD

On 22 January, 2008 *AB DnB NORD Bankas* announced preliminary financial result for full year 2007. According to preliminary data *AB DnB NORD Bankas* earned an un-audited net profit of LTL 105.22 million (EUR 30.47 million) in full year 2007 calculated in accordance to International financial reporting standards. In full year 2006 *AB DnB NORD Bankas* earned an audited net profit of LTL 56.22 million (EUR 16.28 million). The 2007 financial result was achieved due to the Bank's rapid business expansion, the loan portfolio growth and its good quality, active performance on investment banking market and further improvement of operating efficiency.

On 12 February, 2008 through Vilnius stock exchange and on February 13 2008 in Lietuvos rytas daily *AB DnB NORD Bankas* notified that the ordinary general meeting shall be convened on 28 March 2008 at 10.00 a.m. The meeting has been convened on the initiative and by the resolution of the Management Board of the Bank. It was notified that the meeting shall take place at the registered office of the Bank, address J. Basanavičiaus St. 26, Vilnius, in the hall of the sixth floor.
Agenda of the meeting:

1. Approval of 2007 Consolidated Annual Report of the Bank;
2. Approval of financial statements of the Bank of 2007;
3. Distribution of profit (loss) of the Bank;
4. Election of audit firm;
5. Increase of the authorized capital of the Bank from the own funds of the Bank and by additional contributions of shareholders;
6. Approval of the amendments of the Bylaws of the Bank.

The accounting date for the meeting was set 19 March 2008.
It was notified that the documents related to the agenda of the meeting will be available for the shareholders of the Bank at the Investment Banking Department and Legal Unit of the Bank at J. Basanavičiaus St. 26, Vilnius, (tel. +370 5 2393690 and +370 5 2393511) no later than 10 days before the meeting.

On 25 February 2008 the Management Board of *AB DnB NORD Bankas* resolved to supplement the agenda of the ordinary general meeting of shareholders to be held on 28 March 2008 with the following issue:- Election of member of the Supervisory Council of the Bank.

On 29 February 2008 *AB DnB NORD Bankas* notified of its audited result for full year 2007. *AB DnB NORD Bankas* earned an audited net profit of LTL 107.88 million (EUR 31.24 million) in full year 2007 calculated in accordance to International financial reporting standards. *AB DnB NORD Bankas Group* earned an audited net profit of LTL 106.92 million (EUR 30.97 million) in full year 2007 calculated in accordance to International financial reporting standards. The audited *AB DnB NORD Bankas* net profit for full year 2007 was LTL 2.67 million (EUR 0.77 million) higher compared to previously reported unaudited result of LTL 105.2 million (EUR 30.47 million) due to changed accounting principle of profit from index linked bonds - day-one profit being recognized through the lifetime of bonds. It was announced that for 2008 *AB DnB NORD Bankas Group* planed to earn a net profit about a fifth higher compared to 2007 result, the estimate based on an assumption that the Lithuanian banking and financial markets will not be exposed to any substantial positive or negative changes.

On 5 March 2008 *AB DnB NORD Bankas* submitted an application to the Vilnius Stock Exchange for listing of LTL 57 969 000 par value notes (ISIN code LT0000401507) on the Bond List.

On 28 March 2008 the ordinary general meeting of shareholders of *AB DnB NORD Bankas* was held and the following resolutions were adopted:

1. to approve 2007 Consolidated Annual Report of the Bank;
2. to approve the financial statements of the Bank of 2007;
3. to approve the distribution of the profit of the Bank. To reduce the revaluation reserve of the fixed assets by the amount of LTL 21 thousand, which is ascribed to disposed of or fully depreciated fixed assets and transfer this amount to retained earnings. To transfer the Bank's 2007 net profit of LTL 107.88 million to the Bank's distributable profit of LTL 160.54 million. To use part of the distributable profit in the amount of LTL 8.03 million for compulsory deductions to mandatory reserve. To assign the remaining amount of LTL 152.51 million in retained earnings for increase of the authorised capital of the Bank. From the amount of EUR 36,500 (LTL 126,027), which was accumulated as expenses for the year 2007, to pay tantiems to the members of the Supervisory Council of the Bank;
4. to elect limited liability close stock company „Ernst & Young Baltic" as an audit firm to perform audit of the annual financial statements of the Bank for the year 2008.
5. to increase the authorised capital of the Bank from the own funds of the Bank and by additional contributions of shareholders by LTL 227,307,045, i.e. from LTL 363,691,755 to LTL 590,998,800 by issue of 1, 976,583 new ordinary registered shares with par value of LTL 115 each, as follows:
   a) to increase the authorised capital by LTL 181,845,705 from the own funds of the Bank, i.e. from retained earnings LTL 152,511,000 and from share premium LTL 29,334,705, by issue of 1,581,267 new ordinary registered shares with par value of LTL 115 each, which shall be distributed free of charge to the shareholders in proportion to the par value of shares owned by each shareholder on the day of this ordinary general meeting of shareholders. This resolution is adopted considering the financial statements of the Bank of 2007.
   b) by additional contributions of shareholders increase the authorised capital of the Bank by LTL 45,461,340, by issue of 395,316 new ordinary registered shares with par value of LTL 115 each and minimum issue price of each share - LTL 370, minimum issue price of all issued shares - LTL 146,266,920. The newly issued shares shall be paid up in monetary contributions. The newly issued shares shall be subscribed by the shareholders of the Bank which on the day of this ordinary general meeting of shareholders owned the shares of the Bank.

   Subscription and allotment of shares shall take 25 calendar days.
   Other terms and conditions of the share issue shall be established in the Share Prospectus of the Bank.
   Should any shares remain unsubscribed upon expiry of the share subscription period, the authorised capital of the Bank shall be increased by the aggregate amount of the par value of the shares subscribed.
   The aim of the increase of the authorized capital of the Bank is to ensure the further balanced growth of the Bank's business.
6. To amend the wording of III chapter 3.5 article of the Bylaws of *AB DnB NORD Bankas* and to word it as follows: "3.5. The authorised capital of the Bank shall be the par value of all registered shares. The authorised capital of the Bank shall be LTL 590,998,800 (five hundred and ninety million nine hundred and ninety eight thousand eight hundred litas), it shall be divided into 5,139,120 (five million one hundred and thirty nine thousand one hundred and twenty) ordinary registered shares. The par value of a share shall be LTL 115 (one hundred and fifteen litas)."

   To amend the wording of X III chapter 10.2-10.4 articles of the Bylaws of the *AB DnB NORD Bankas* and to word it as follows:
   "10.2. The Bank shall also have the right to establish other individual outlets of the Bank such as Business Regions, Customer Service Branches, Customer Service Sub-branches and Customer Self Service Centers.
   10.3. A Business Region shall be an outlet subordinate to the Bank established in a location other than the Head Office for provision of financial services. The Business Region may realise its functions and objectives via the Customer Service Branches subordinate thereto.
   10.4. A Customer Service Branch shall be an outlet of the Bank subordinate to a Business Region or a branch of the Bank established in a location the same as or other than the Business Region or the branch for provision of financial services."
   To authorize the President of the Bank to sign the amended Bylaws of the Bank.
7. Considering the fact that the member of the Supervisory Council Mr. Pal Skoe resigns from the office of the member of the Supervisory Council as of 28 March 2008, to elect Mr. Tony Samuelsen to the Supervisory Council until expiry of the term of office of the current Supervisory Council. To establish that the newly elected member of the Supervisory Council Mr. Tony Samuelsen shall start the office following the receipt of the permission from the Bank of Lithuania to become manager of the Bank.

On 28 March 2008 Vilnius Stock Exchange recalculated the reference price of *AB DnB NORD Bankas* ORS (ISIN code LT0000100174, order book - NDL1L) to LTL 302.67 in accordance with article 3.2.4 of Annex 3 to the VSE Trading Rules (decision to increase the authorised capital out of the funds of the company by a pro rata increase in the number of the shares held by each shareholder).

On 11 April 2008 *AB DnB NORD Bankas* notified on its preliminary result for the first quarter of 2008.According to preliminary data AB DnB NORD earned an un-audited net profit of LTL 37.6 million (EUR 10.9 million) in the first three months of 2008, the result calculated in accordance to International Financial Reporting standards.In the corresponding period of 2007 *AB DnB NORD Bankas*' net profit was LTL 24.2 million (EUR 7.01 million).

On 21 April 2008 *AB DnB NORD Bankas*, submitted an application to Vilnius Stock Exchange for listing of LTL 18,465,500 par value notes (ISIN code LT0000401523) on the Bond List.

On 22 May 2008 Mr. Tony Samuelsen started his office of the member of the Bank‘s Supervisory Council.

On 28 May 2008 *AB DnB NORD Bankas* informed that on May 22nd 2008 the Securities Commission of the Republic of Lithuania approved a share issue prospectus (Statement of Approval No. 4R-9), which defines the terms and conditions of issue of new 395,316 ordinary registered shares of *AB DnB NORD Bankas* (the par value of one share is LTL 115, total par value is LTL 45,461,340, the issue price of one share is LTL 370) for increase of the authorised capital of the Bank by additional contributions of shareholders.

On 17 June 2008 *AB DnB NORD Bankas* submitted an application to the Vilnius Stock Exchange for listing of LTL 47,642,500 par value notes (ISIN code LT0000401556) on the Bond List.

On 22 June 2008 *AB DnB NORD Bankas* completed the placement of the new ordinary registered shares issued pursuant to the share issue prospectus approved by the Securities Commission of the Republic of Lithuania on 22 May 2008 (Statement of Approval No. 4R-9) During the second stage of allotment all 27,057 (twenty seven thousand and fifty seven) shares, which remained unsubscribed after the first stage, were allotted. During both share allotment stages the whole issue of 395,316 (three hundred and ninety five thousand, three hundred and sixteen) ordinary registered shares have been placed. The Bank's share issue prospectus provided that the shares subscribed are paid in litas within 10 (ten) days after the completion of the second share allotment stage. The par value of all subscribed shares of the Bank amounted to 45,461,340 (forty five million, four hundred and sixty one thousand, three hundred and forty) litas. Following the placement of each share with par value of 115 (one hundred and fifteen) litas at set issue price of 370 (three hundred and seventy) litas, the total share issue price amounted to 146,266,920 (one hundred and forty six million, two hundred and sixty six thousand, nine hundred and twenty) litas. The aim of the increase of the authorized capital of the Bank is to ensure the further balanced growth of the Bank's business.

On 10 July 2008 *AB DnB NORD Bankas* announced preliminary results for the first six months of 2008. According to preliminary data *AB DnB NORD Bankas* earned an un-audited profit before income tax LTL 81.2 million (EUR 23.5 million) in the first six months of 2008, a 32.6 percent increase compared to the corresponding period in 2007 when the bank‘s profit before income tax was LTL 61.3 million (EUR 17,7 million). *AB DnB NORD Bankas* earned an unaudited net profit of LTL 68.6 million (EUR 19.9 million), a 33.6 percent increase compared to the corresponding period of 2007 when the bank‘s net profit was LTL 51.4 million (EUR 14.9 million). *AB DnB NORD Bankas* financial results are calculated in accordance to International financial reporting standards.

On 24 July 2008 the international rating agency Fitch Ratings affirmed *AB DnB NORD Bankas* ratings at Long-term Issuer Default (IDR) ‘A’, Short-term IDR ‘F1’, Individual ‘C/D’ and Support ‘1’. The Outlook for the Long-term IDR remained Stable.

On 7 August 2008 the board of the Bank of Lithuania granted a permission to *AB DnB NORD Bankas* to register the amendment to the bank‘s by-laws related to the increase of the bank‘s authorised share capital to LTL 590,998,800, in line with decision taken by the ordinary meeting of shareholders on 28 March 28 2008.

On 12 August 2008 *AB DnB NORD Bankas* publicly released information regarding the extraordinary general meeting of shareholders through Vilnius stock exchange. The bank announced that the extraordinary general meeting of shareholders of *AB DnB NORD Bankas* shall be convened on 29 September 2008 at 10.00 a.m. The meeting was convened on the initiative and by the resolution of the Management Board of the Bank. It was announced that the meeting shall take place at the registered office of the Bank, address J.Basanavičiaus St. 26, Vilnius, in the hall of the sixth floor.
Agenda of the meeting:

1. increase of the authorized capital of the Bank by additional contributions of shareholders;
2. approval of the amendments of the Bylaws of the Bank.

The accounting date for the meeting was 22 September 2008.
It was announced that the documents related to the agenda of the meeting will be available for theshareholders of the Bank at the Investment Banking Department of the Bank at J. Basanavičiaus St. 26, Vilnius, (tel. +370 5 2393776) no later than 10 days before the meeting. This announcement was published in Lietuvos rytas daily on 13 August 2008.

On 13 August 2008 *AB DnB NORD Bankas* submitted an application to Vilnius Stock Exchange for listing the bank's fixed coupon notes' issue (ISIN code LT0000401614) with par value of LTL 35,835,800 on the Bond List. This tranche has been issued in accordance with *AB DnB NORD Bankas* LTL 1,250,000,000 note issue programme.

On 21 August 2008 it was announced that on 20 August, 2008 the amended Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities. The amended Bylaws of the Bank provide that the authorized capital of the Bank is LTL 590,998,800 (five hundred and ninety million nine hundred and ninety eight thousand eight hundred Litas) and is divided into 5,139,120 (five million one hundred and thirty nine thousand one hundred and twenty) ordinary registered shares with LTL 115 (one hundred and fifteen Litas) par value each. The Articles 10.2-10.4 of Section X of the Bylaws were also amended with respect to change of the name of a Business Centre to a Business Region. The Bylaws of the Bank were amended following the resolution of the ordinary general meeting of shareholders, dated 28 March 2008.

On 27 August 2008 *AB DnB NORD Bankas* presented its interim consolidated unaudited report for the first six months of 2008, unaudited interim condensed financial information prepared in accordance with International Financial Reporting Standards and confirmation of responsible persons.

On 2 September 2008 it was announced that on 28 August 2008 the Board of the Bank of Lithuania granted the permission to *AB DnB NORD Bankas* to include the EUR 26 million (LTL 89,772,800) subordinated loan maturing in seven years granted by Bank DnB NORD A/S, the majority shareholder of the Bank, into the Bank's Tier II capital. The increased capital base facilitates further growth of the Bank ensuring the compliance with the prudential requirements.

On 29 September 2008 at the extraordinary general meeting of shareholders of *AB DnB NORD Bankas*, the shareholders adopted the following resolutions:

1. to increase the authorized capital of the Bank by additional contributions of shareholders by LTL 31,105,200, i.e.from LTL 590,998,800 to LTL 622,104,000 by issue of 270,480 new ordinary registered shares with par value of LTL 115 and minimum issue price of each share - LTL 260, minimum issue price of allissued shares - LTL 70,324,800. The newly issued shares shall be paid up in monetary contributions.
   The newly issued shares shall be subscribed by the shareholders of the Bank which were shareholders of the Bank on the end of the tenth business day following this extraordinary general meeting of shareholders.
   Subscription and allotment of shares shall take 25 calendar days. Other terms and conditions of the share issue shall be established in the Share Prospectus of the Bank. Should any shares remain unsubscribed upon expiry of the share subscription period, the authorized capital of the Bank shall be increased by the aggregateamount of the par value of the shares subscribed. The aim of the increase of the authorized capital of the Bank is to ensure the further balanced growth of the Bank's business.
2. to amend the wording of III chapter 3.5 article of the Bylaws of the *AB DnB NORD Bankas* and to word it as follows:
   "3.5.The authorized capital of the Bank shall be the par value of all registered shares. The authorized capital of the Bank shall be LTL 622,104,000 (six hundred twenty-two million one hundred four thousand Litas), it shall be divided into 5,409, 600 (five million four hundred nine thousand six hundred) ordinary registered shares.The par value of a share shall be LTL 115 (one hundred and fifteen Litas)."
   To authorize the President of the Bank to sign the amended Bylaws of the Bank.

On 6 October 2008 it was announced that on 2 October 2008, the Securities Commission of the Republic of Lithuania approved *AB DnB NORD Bankas*' Base Prospectus of EUR 300,000,000 Medium-Term Note Programme (certificate number 4R - 22).

On 7 October 2008 the international rating agency Fitch Ratings affirmed *AB DnB NORD Bankas* ratings at Long-term Issuer Default (IDR) 'A', Short-term IDR 'F1', Individual 'C/D' and Support '1'. The Outlook for the Long-term IDR remained Stable.

On 21 October 2008 *AB DnB NORD Bankas* announced preliminary result for the first nine months of 2008. According to preliminary data *AB DnB NORD Bankas* earned an un-audited profit before income tax LTL 113.7 million (EUR 32.9 million) in the first nine months of 2008, a 17.4 percent increase compared to the corresponding period in 2007 when the bank's profit before income tax was LTL 96.8 million (EUR 28,1 million). In the first nine months of 2008 *AB DnB NORD Bankas* earned an unaudited net profit of LTL 98.8 million (EUR 28.6 million), a 22.9 percent increase compared to the corresponding period of 2007 when the bank's net profit was LTL 80.3 million (EUR 23.3 million). In the first six months of 2008 *AB DnB NORD Bankas* earned an audited net profit of LTL 68.6 million (EUR 19.9 million). *AB DnB NORD Bankas Group* earned an audited net profit of LTL 68.7 million (EUR 19.9 million) in the first six months of 2008. Audited financial result of *AB DnB NORD Bankas* and *AB DnB NORD Bankas Group* did not differ from the previuosly reported unaudited financial result for the first six months of 2008. *AB DnB NORD Bankas* financial results are calculated in accordance to International financial reporting standards.

On 5 November 2008 *AB DnB NORD Bankas* submitted an application to Vilnius Stock Exchange for listing of LTL 33,757,900 par value notes' issue (ISIN code LT0000401689) on the Bond List. This tranche has been issued in accordance with *AB DnB NORD Bankas*' LTL 1,250,000,000 notes' issuance programme.

On 6 November 2008 the Board of the Bank of Lithuania extended a permission to *AB DnB NORD Bankas* Bankas to include 90 percent of the retained audited profit of the first half of 2008 into the Tier I capital of *AB DnB NORD Bankas* and the *AB DnB NORD Bankas Group*. The inclusion of the current year's audited retained earnings was aimed at strengthening the capital of *AB DnB NORD Bankas*, facilitating implementation of operating plans and maintaining higher than required capital adequacy ratio by the Bank and the Group.

On 6 November 2008 it was announced that on 5 November 2008 the Supervisory Council of *AB DnB NORD Bankas* accepted the resignation of Alditas Saulius from his position of the member of the Management Board and Executive Vice-President of *AB DnB NORD Bankas*.

On 21 November 2008 *AB DnB NORD Bankas* submitted an application to Vilnius Stock Exchange for two corporate note issues (ISIN codes LT0000401747 ir LT0000402406) on the Bond list of the stock exchange. These tranches has been issued in accordance with *AB DnB NORD Bankas*' EUR 300,000,000 notes' issue program.

On 21 November 2008 *AB DnB NORD Bankas* presented its unaudited group and bank's interim condensed financial information for the first three quarters of 2008 prepared in accordance with International Financial Reporting Standards and confirmed by the management.

All information on material events related with the Issuer's activities is submitted to the Lithuanian Securities Commission, the Central depository of the Republic of Lithuania, Vilnius Stock Exchange, Central storage facility, the daily "Lietuvos Rytas", news agencies BNS and ELTA and placed on the Bank's website www.dnbnord.lt.

11. INFORMATION ON PERFORMANCE RESULTS

In the challenging and vibrant economic environment *AB DnB NORD Bankas Group* consolidated its position among the country's top three financial institutions and achieved most of the goals set at the start of the year. Pursuing concervative risk management policy the Group strengthened its position both in retail and corporate, continued to lead the country's structured investment products' market and enjoyed a top creditworthiness rating in the local banking industry despite adverse situation in global financial markets and sharp downturn of Lithuania's economic growth seen in the second half of the year.

Although *AB DnB NORD Bankas Group* suffered no direct impact of global financial markets, however, with clear evidence of slowing economy, its lending became more conservative. *AB DnB NORD Bankas* team worked hard to mange adequately the risks arising and stayed focused on maintaining credit portfolio quality at appropriate level. The constant focus on further improvement of operating efficiency, enhanced attention to risk management and efforts to keep costs in check, helped *AB DnB NORD Bankas Group* to offset somewhat the impact of challenging operating environment on the full year financial result that in the fourth quarter of 2008 was negatively affected by higher impairment and other provision expenses mostly in real estate development and transport sectors.

In the reporting year *AB DnB NORD Bankas Group* asset growth outpaced the market as the assets under *AB DnB NORD Bankas Group* management rose by LTL 2.5 billion or 22.3 percent to LTL 14.0 billion as at the end of 2008. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 14.63 percent of the market in terms of assets as at the end of December 2008 increasing it by 1.48 percentage point over the year. That was mostly determined by the growth of the Bank's loan portfolio.

After few years of high credit demand lifted by the positive economic sentiment among individual and business customers after the country's European Union entry and low lending rates, the credit growth showed clear signs of cooling down in the second half of 2008, the process also encouraged by the country's central bank. Though asset quality remained solid throughout the year, *AB DnB NORD Bankas* adjusted its credit policies to respond to changing economic cycle. With credit growth rates stabilizing the Group's net loans to customers portfolio increased by LTL 2.4. billion or 26.9 percent year-on-year to LTL 11.2 billion as at the end of 2008. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 16.51 percent of the market in terms of loans as at the end of December 2008 increasing it by 1.20 percentage point over the year.

Customers' savings and investments at *AB DnB NORD Bankas Group* stood at LTL 5.0 billion as at the end of 2008 , of which issued debt securities amounted to LTL 1.2 billion and customers'deposits made LTL 3.8 billion. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 9.7 percent of the market in terms of deposits as at the end of December 2008 edging higher by 0.04 percentage point over the year.

During the reporting period the Group earned LTL 377.1 million in net interest, fee and commission income, that was 25.2 percent higher compared to 2007 result. Net interest income of LTL 308.5 million earned by the Group in 2008 made the largest relative weight of 81.8 percent of net interest, fee and commission income. Net fee and commission income totaled LTL 68.5 million as of 31 December 2008 and made 18.2 percent of the net interest, fee and commission income of the Group. Compared with 2007, net interest income rose 27.4 percent and the increase of net fee and commission income represented 16.1 percent. The Group's income from operations with securities, derivatives and foreign currency in the reporting period made LTL 7.0 million compared with LTL 23.4 million the year before

Over 2008 the administrative and other operating expenses of the Group rose by LTL 28.9 million to LTL 208.6 million. The rise largely represented the planned investments in further upgrades of the Bank's IT systems, the development of the banking products and services, customer service network expansion and higher staff costs.

The Group's profit before income tax amounted to LTL 82.9 million in 2008. Due to higher impairment and other provision expenses mostly in real estate development and transport sectors made in the fourth quarter of 2008, the full year result before income tax was 36.8 percent lower compared to 2007 result when the Bank's profit before income tax amounted to LTL 131.0 million.

The net profit of the *AB DnB NORD Bankas Group* in 2008 was LTL 69.4 million, a 35.1 percent decrease compared to the 2007 result.

As of 31 December 2008 the Group's return on equity (ROE) was 7,9 percent. The Group's cost/income ratio was 50,9 percent.

Year	2006		2007		2008	
	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	15.0	15.2	17.8	18.0	7.9	8.1
Cost/income ratio (percent)	62.1	60.9	51.9	50.5	50.9	49.7
Earnings per share (LTL)	19.8		35.93		17.86	

In the reporting year the number of customers of *AB DnB NORD Bankas* exceeded important 600 thousand benchmark. The number of *AB DnB NORD Bankas* customers rose 11.2 percent over 2008 to 624,300 as at the end of the year. The bank strongly believes that during periods of economic changes, customers more than ever need financial advice and professional service and the Bank must offer them the best possible guidance to ensure their further success and the success of the Bank's business.

To ensure appropriate service level *AB DnB NORD Bankas* measured fulfillment of Customer Service Standards several times per year. The latest Mystery Shopping Survey unveiled the Bank achieved the best result ever reaching the strategic target of 90 percent. That has been achieved due to the responsible attitude of the employees of the Bank towards customer service quality and illustrates that the managers of *AB DnB NORD Bankas Group* do their best to focus their team on servicing customers in best possible manner. Following the findings of the survey the Bank will focus on keeping the good result and improving the weaker aspects with the aim to maintain targeted Customer Service Standards.

The latest Customer Satisfaction Survey accomplished by phone calls to existing customers in December 2008 showed that loyalty and retention of *AB DnB NORD Bankas* customers was higher than average in Lithuania's finacial sector for the second year running.

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

Having assessed the Bank's performance, the international banking and finance magazine Euromoney ranked DnB NORD as the Best Bank in Lithuania in July 2008. The award granted to *AB DnB NORD Bankas* for the second year running showed that sustainability is always rewarded being a clear signal that the Bank's strategy to focus on long-term relationship with customers by delivering them superior service quality delivers continuous success. The Bank is proud about this award that comes as a result of hard and persistent work of the whole team of professionals and takes it as obligation to work even harder for achieving our main goal – to be the country's most dynamic financial institution.

RETAIL BANKING

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

In 2008 further progress in retail banking remained the prime focus point of *AB DnB NORD Bankas* that has strong customer base, wide range of competitive products, extensive customer service branch network and user-oriented electronic banking solutions. The Bank continued to pay prime attention to customer service quality and culture, the streamlining and installation of processes that allow respond fast to changing customer needs with efforts paid to increase the Bank's brand name and product awareness.

In 2008 *AB DnB NORD Bankas* net loan portfolio to individual customers increased by LTL 1.0 billion or 23.0 percent to LTL 5.2 billion. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 17.97 percent of the market in terms of loans to individuals increasing its market share by 0.27 percentage point over the year. The Bank's consumer loan portfolio to individual customers rose 9.2 percent year-on-year to LTL 631.1 million at par. Mortgage loan portfolio saw an annual rise of 27.9 percent to LTL 3.16 billion at par. Private credits made LTL 1.3 billion as at the end of the reporting year at par.

Despite changing economic environment in the reporting year, the deposits of individual customers in *AB DnB NORD Bankas* rose by 9.3 percent to LTL 2.1 billion at the year end. According to Association of Lithuanian Banks' data, *AB DnB NORD Bankas* held 8.73 percent of the market in terms of individual deposits increasing its market share by 0.25 percentage point over the year.

In 2008 the Bank marketed new financial services and products and continued developing the existing ones:

- In 2008 the Bank marketed new financial services and products and continued developing the existing ones:
- offered a possibility of making a direct debit agreement via internet;
- made direct debit agreements and utility collection agreements with companies providing services;
- offered credits with special conditions for separated groups: teachers, ISM employees, clients, who already have mortgage, etc.;
- issued commemorative payment card with the picture of Trakai Castle;
- introduced a consumer loan to finance ISM Master of Management studies;
- organized product sales promotion campaigns for retail customers;
- organized a transfers of salaries campaign that allowed clients to get extra discounts;
- made improvements to saving and investment products, organized the new investment program „Garantuota investicija PELNO SERTIFIKATAS ™“, introduced a new type of term deposit – "GREITŲJŲ PALŪKANŲ INDĖLIS ™";
- organized investment conferences for customers in Siauliai and Kaunas;
- launched Customer relationship management system (CRM);
- improved customer service programmes that allow finding out and meeting customers' needs.

In 2008 *AB DnB NORD Bankas* continued cooperation with insurers UAB DK PZU Lietuva and UAB DK PZU Lietuva gyvybės draudimas and began partnership with Vital Forsikring ASA branch "Vital Life". The Bank offered for customers express consumer credit with life insurance, compulsory motor third party liability insurance, payment card insurance, credit limit insurance. In 2008 the Bank offered for customers new insurance products – Vital borrower's investment life insurance with mortgage loan and investment life insurance.

AB DnB NORD Bankas Group served its customers through nation-wide customer service network that at the end of 2008 consisted of 84 modern branches and subranches. That was the country's third largest customer service network. To offer its customers convenient and quality service *AB DnB NORD Bankas* opened five new outlets, reconstructed, relocated to more friendly business place or renovated according to new standard 10 outlets and closed one. At the end of 2008 the Group served its customers through a nationwide network of 84 branches and sub-branches running the country's third largest customer service network. At the end of the reporting year the Group also served its customers through 174 the Bank's own ATMs and 329 ATMs of SEB Bankas according to the cooperation agreement. This made it Lithuania's largest ATMs network available for the Group's customers. For customer convenience the Bank installed its first ATM with cash deposit function in Vilnius in 2008.

The number of customers using *AB DnB NORD Bankas* internet banking services increased by 27 percent in 2008 year on year to 290 thousand largely due to constant efforts to further improve user-friendliness of the system and its functionality, the upgrade work on both to be continued in 2009. In the reporting year 87 percent of all money transfers were performed via internet banking of *AB DnB NORD Bankas*.

During the reporting year the Bank issued 70.6 thousand new payment cards. At the end of 2008 the payment cards issued by the Bank totaled 345 thousand. The average turnover of transactions made by payment cards issued by the Bank rose by 28.3 percent year-on-year to LTL 5.02 billion.

CORPORATE BANKING AND SMALL AND MEDIUM SIZE ENTERPRISES (SME)

In 2008 *AB DnB NORD Bankas* further strengthened its position in corporate banking segment as a result of being fast and flexible decision maker also benefiting from long-term relationship with its customers. In corporate banking the strategy of *AB DnB NORD Bankas* is to to become long-term partner ready to offer wide range of financial products and personalized financial consultations to its customers.

With careful selection of industries financed and proactive measures to reinforce appropriate credit policies *AB DnB NORD Bankas* corporate net loan portfolio rose by LTL 1.4 billion or 30.5 percent year-on-year to LTL 6.1 billion. According to the Association of Lithuanian Banks' data, DnB NORD Bankas held 15.53 percent of the country's corporate loan market, increasing it by 1.73 percentage points since the start of the year.

The loan portfolio grew in manufacturing, agriculture and real estate segments. The growth of loans in manufacturing segment is largely attributed to increased financing from European Union structural funds to the sector. Since the beginning of 2008 financing to real estate development sector became more limited especially from the second quarter of the year.

In 2008, small and sedium size businesses were of high importance to *AB DnB NORD Bankas* that developed specially designed packages for existing businesses as well for business startups. Within this business segment the Bank successfully developed new solutions to agricultural sector, so far affected by economic slowdown to limited extent.

The growth of the SME loan portfolio was influenced by:
- the sales of express credit for agricultural activity;
- the improvement of the SME rating system;
- the simplification of procedures (credit applications, applications for opening accounts and payment cards, etc);
- successfully continued the contribution of the Bank to the SME micro crediting project, which was developed by UAB "Investicijų ir verslo garantijos" as a fund administrator.

Alongside with pioneering in granting short-term collateral free loans to farmers, *AB DnB NORD Bankas* also signed an exclusive cooperation agreement with the Germany's company Vereinigte Hagelversicherung VVaG. The partnership with the sole crop insurer in Lithuania opened the possibility for the bank to offer better credit terms to farmers and agricultural companies thus contributing to the successful development of the whole sector.

As at 31 December 2008 the corporate deposit portfolio of *AB DnB NORD Bankas* stood at LTL 1.8 billion, a decrease by LTL 0.6 billion or 25 percent year-on-year. According to the Association of Lithuanian Banks' data, DnB NORD Bankas held 11.67 percent of the country's corporate deposit market as of 31 December 2008 increasing it by 0.16 percentage point over the year.

AB DnB NORD Bankas, in cooperation with leasing and investment management subsidiaries, offered legal entities a variety of solutions that meet borrowing, investment and settlement needs of companies. The Bank made beneficial offers not only for business development but also to the staff of corporate customers.

In 2008, *AB DnB NORD Bankas* increased turnover of factoring by 26 percent. The number of customers using factoring grew 49 percent in the reporting year. In 2008 *AB DnB NORD Bankas* offered a wider spectrum of factoring services to Lithuania's businesses, speeds up decision taking process and ensures more efficient management of the trade credit risk. In the reporting year the Bank issued guarntees to legal entities 1.3 times more compared to the previous year.
In 2008, the Bank also continued the cooperation with UAB "Investicijų ir verslo garantijos" and UAB "Žemės ūkio paskolų garantijos fondas", being one of the most active credit institutions, which offers SME loans with guarantees of the above mentioned institutions.

INVESTMENT BANKING

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

As of 31 December 2008 the book value of debt securities issued by the Bank for public trading constituted LTL 1.18 billion including equity and commodity linked notes of total nominal value of 977 million, which secured the Bank the structured financial products market share exceeding 40 percent. Vilnius Stock Exchange put *AB DnB NORD Bankas* on top spot for its active business activity in the local market of debt securities granting the Bank the Initiative of the Year Award.

In 2008 the bank was increasingly active in foreign exchange market with relevant operations volumes growing faster than the market on average and market share increasing from 11 percent in 2007 to 13 percent in 2008.

In the reporting year the investment banking professionals of *AB DnB NORD Bankas* advised on one of the largest M&A deals in 2008 – sale of JSC Armila shares to Andreae-Noris Zahn AG (ANZAG) – one of the largest pharmaceutical wholesalers in Germany. The acquisition of the 92-per-cent stake in JSC Armila was the largest German foreign direct investment in Lithuania in 2008.

12. BANK'S SUBSIDIARIES

On 31 December 2008 *AB DnB NORD Bankas* owned the following subsidiaries: *UAB DnB NORD Investicijų Valdymas*, U*AB DnB NORD Lizingas* and U*AB DnB NORD Būstas.* The Bank holds 100 percent of the shares in each of the aforementioned subsidiaries.

UAB DnB NORD lizingas

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

U*AB DnB NORD Lizingas* that provides vehicle, equipment and real estate leasing, saw an increase of its leasing portfolio before provisions by 23.1 percent to LTL 931 million at the end of 2008.

The company's total market share went up from 7.2 percent on 2007 to 8.3 percent as at the end of 2008. Its new cars market share increased to 8.8 percent from 6.5 percent during the period. By this ratio the company ranked third among the twelve members of the country's leasing association.

The number of signed contracts decreased from 3,910 to 3,678 at the end of 2008. Cost/income ratio at the end of 2008 compared to 2007 decreased from 41.1 percent to 38.4 percent while the return on equity (ROE) was -21.5 percent.

U*AB DnB NORD Lizingas* that registered its fifth representative office in Lithuania on 31 January 2008, also has representative office in Kaliningrad city, Russian Federation. In 2009 integration of leasing services sales into the Bank's sales network is envisaged.

UAB DnB NORD investicijų valdymas

Name	UAB DnB NORD investicijų valdymas
Legal status	Limited liability company
Date and place of registration	Registered with the State enterprise Centre of Registers on 19 August 2003
Company code	226299280
Registered and actual office address	J. Basanavičiaus str. 26, LT-03601 Vilnius, Lietuvos Respublika
Telephone numbers	(+370 5) 2393 567, (+370 5) 2393 773
Fax number	(+370 5) 2393 473
E-mail	investicija@dnbnord.lt
Website	www.dnbnord.lt
Number of the permission to be engaged in the activities of a management company	VĮK –003

UAB DnB NORD Investicijų Valdymas is engaged in management of pension and investment funds.

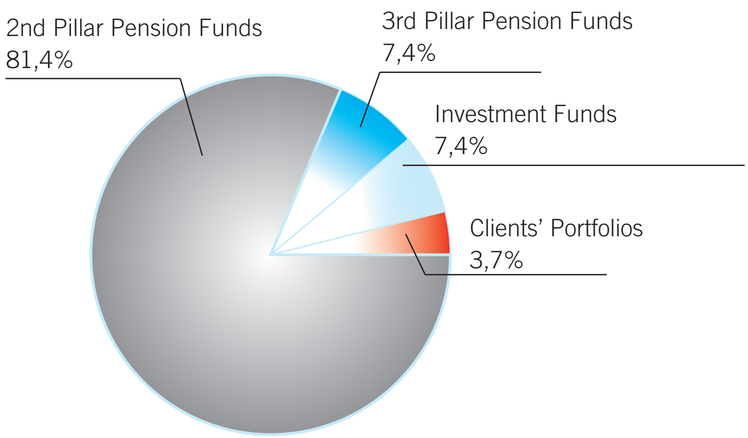
The company, ranked third in the country's asset management market, held 68.4 thousand outstanding contracts and managed three second pillar pension funds, two third pillar pension funds and three investment funds at the end of the reporting year. Its total assets under management increased 15.2 percent year-on year or LTL 25.4 million to LTL 193 million as at the end of 2008.

DnB NORD Investicijų Valdymas UAB held 8.7 percent of local market share in terms of second-pillar pension funds as at 31 December 2008. The company also held 24.7 percent market share in third pillar pension funds segment (excluding life insurance products).

The company's net profit in 2008 totalled LTL 2.15 million. In the reporting year the company's ROE was 43 percent, CIR 32.8 percent.

On 9 June 2008 Šarūnas Ruzgys was apointed as director general of *UAB DnB NORD Investicijų Valdymas*. Prior to taking that position Šarūnas Ruzgys acted as director of commerce in *UAB DnB NORD Lizingas* company.

Portfolio structure, as of 31 December 2008



The performance of the funds as of 31 December 2008

Name	Investment strategy	Result for 2008
Second Pillar Pension Funds		
DnB NORD pensija 1	Government bonds	2,89%
DnB NORD pensija 2	Equities up to 25%	-8,55%
DnB NORD pensija 3	Equities up to 50%	-18,12%
Third Pillar Pension Funds		
DnB NORD papildoma pensija	Equities up to 50%	-24,26%
DnB NORD papildoma pensija 100	Equities up to 100%	-36,66%
Investment Funds		
DnB NORD pinigų rinkos fondas	Short bonds and deposits	3,62%
DnB NORD obligacijų fondas	Bonds, Bond Funds	0,97%
DnB NORD akcijų fondų fondas	Equities	-43,44%

UAB DnB NORD Būstas

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

U*AB DnB NORD Būstas* is engaged in providing real estate brokerage services.
At the end of reporting year company carried out its activities in Vilnius, Kaunas, Klaipėda and Šiauliai.

At the end of 2008 company retained position among TOP4 real estate brokerage companies in terms of real estate listings. In 2008 company entered into real estate deals at a value of more than LTL 50 million, a 63 percent growth compared to 2007. 73 percent of all real estate sales were financed by *AB DnB NORD Bankas*. 15 real estate brokers were employed at the end of 2008.

In 2008 Lithuanian real estate market faced significant slowdown – number of real estate transactions in the market dropped 40 percent year-on-year. This also affected the activity of U*AB DnB NORD Būstas* so the company focused its efforts towards efficiency and cost optimisation. It is planned to concentrate the company‘s activity on serving customers, who have to sell their real estate property because of economy's downturn in 2009.

In 2008 company started to sell franchise of U*AB DnB NORD Būstas* to real estate agents. At the end of reporting year 5 franchisees, individual brokers, were delivering services under the name of U*AB DnB NORD Būstas*.

13. RISK MANAGEMENT AND RATINGS

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

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

The Bank assesses and manages credit, liquidity, market (interest rate, foreign exchange rate, equity price), operational and business risks. Credit risk is the dominant in the Bank's risk structure. Detailed information about financial risks assessment and management is provided in the *AB DnB NORD Bankas Group* 2008 consolidated financial statement.

Starting from 1 January 2008 *AB DnB NORD Bankas* calculates the Capital adequacy ratio based on the new rules prepared in accordance with Basel II requirements. The standardized approach was chosen for estimation of the credit, market and operational risks. During accounting period the process of the risk assessment and management was further improved in order to use the more advanced methods for calculation of capital requirement for credit risk in the future.

As a result of pursuing the appropriate risk management policy over the reporting period the Bank was compliant with all prudential requirements set by the Bank of Lithuania and no sanctions were imposed against it.
International ratings agency Fitch Ratings on 17 August 2007 upgraded the Bank's individual issuer's rating to C/D and affirmed long-term IDR at high "A" with stable outlook. Fitch Ratings also assigned short-term rating F1 and support rating "1" to *AB DnB NORD Bankas*. On 7 October 2008 Fitch Ratings affirmed this high creditworthiness ratings of the Bank that at the end of the reporting year was two notches higher compared to long-term borrowing rating of the Republic of Lithuania.

14. STRATEGY AND PLANS

In 2009 *AB DnB NORD Bankas* will continue to focus on development of efficient universal banking making use of its existing competitive advantages: fast decision making, customer centric approach, country-wide sales network, its size large enough for economies of scale in product development as well as its efficiency of back-office and risk management.

In retail *AB DnB NORD Bankas* will go on seeking a long-term relationship to its customers. An important role for the further business growth will be assigned for the development of Electronic Decision Support System (EDSS), better visibility on the market, faster development of alternative distribution channels and prioritised development of product packages, supported by analytical Customer Relationship Management System (CRM). The planned IT investments will primarily focus on CRM system development as well as further improvements in internet and mobile banking services, Contact Centre and IT service and data security management. *AB DnB NORD Bankas* investments in the network shall be used primarily to implement multi-channel strategy principles and increase the efficiency of the existing outlet network with focus on the country's top five cities.

AB DnB NORD Bankas goal for 2009 is to maintain strong position in corporate and investment banking through delivering a differentiated and personalized approach to the corporate customer based on client segmentation and increasing operating efficiency and profitability per customer. Corporate customers will be served in a personalised manner ensuring fast and flexible decision making.

The planned growth in treasury and investment banking shall be ensured through focus on innovation and higher margin products by applying an open-platform solution while moving all standard products to internet channels.

In 2009 *AB DnB NORD Bankas* will continue the implementation of a unified IT platform, a very important project that was started in early 2007 together with all banks of DnB NORD group. The new core banking system will provide a strong backbone supporting the continued growth of the group for the next 10 years, it includes possibility to share products, processes and resources as well as increased "time to market" and economy of scale. The unified IT solution will be the basis for further development of international cash management products allowing customers to manage their cross-boarder funds easier and more effectively.

Due to the worsened external environment *AB DnB NORD Bankas* in 2009 will focus on cost efficiency, proper risk management and operational excellence with support of the new technical environment.

15. INVESTMENTS

As of the preparation of the 2008 consolidated annual report, the Issuer hadn't any planned investment on long term tangible or intangible assets, which had value more than 10 percent of the Issuer's share capital.

16. MANAGEMENT OF THE ISSUER

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

The General Meeting of Shareholders of the Issuer:

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

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

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

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

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

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

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

The Management Board shall adopt:

- The decisions for the Issuer to become a founder, a member of other legal persons;
- The decisions to establish branches, representative offices and other individual outlets of the Issuer and to terminate their operation;

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

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

The Management Board shall implement the decisions taken by the General Meeting of Shareholders and the Supervisory Council. The Management Board shall analyse and assess the information submitted by the President on the following issues:
- The implementation of the business strategy of the Issuer;
- The organisation of the business of the Issuer;
- The financial state of the Issuer;
- The results of the business activities, the income and expenditure estimates, the stocktaking data and other accounting data of the changes in the assets.

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

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

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

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

17. SUPERVISORY COUNCIL AND MANAGEMENT BOARD

The Bylaws of *AB DnB NORD Bankas* provide that the bodies of the Issuer are the following: General Meeting of Shareholders, Supervisory Council, Management Board and Chief Executive Officer (President). The rights and responsibilities of each body are disclosed in detail in Article 16 of the Consolidated Annual Report 2008.

As of 31 December 2008 the Supervisory Council of *AB DnB NORD Bankas* consisted of eight members. Two of them Viktoras Valentukevičius and Antanas Zabulis are independent members of the Supervisory Council. The term of the Supervisory Council expires on 23 March 2010.

On 28 March 2008 the general meeting of shareholders elected Tony Samuelsen as a member of the Supervisory Council replacing Pal Skoe in this position. The newly elected member of the Supervisory Council Tony Samuelsen represents interests of Norway's DnB NOR. He started his office from 22 May 2008.

Five meetings of the Supervisory Council were held during the reporting year. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings, except Mr Georg Christoph Schulz who in the financial year participated in less than half of the meetings of the Supervisory Council.

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

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Start	End		
Sven Herlyn	Chairman of the Supervisory Council	23 03 2006	23 03 2010	University Hamburg, MBA	Berliner Bank AG (1991 – 1998) Norddeutsche LandesbankGirozentrale (1998-2006); Executive Vice-president, Norddeutsche Landesbank Girozentrale; Chief Executive Officer, Bank DnB NORD/AS (since 2006).
Dr. Juergen Allerkamp (Jürgen Allerkamp)	Deputy chairman of the Supervisory Council	23 03 2006	23 03 2010	Universities of Göttingen, Münster, Lausanne (CH), Bonn, Doctor of Law, lawyer	Manager of the Legal unit, Westdeutsche Landesbank (1989-1991); Member of the Management Board, Kreissparkasse Dresden (1991-1997); Member of the Management Board, Norddeutsche Landesbank Girozentrale, (since 1997).
Viktoras Valentukevičius	Independent Member of the Supervisory Council	23 03 2006	23 03 2010	Institute of International relations, Vilnius University, diplomacy studies; Vilnius University, economist	Vice-minister, Ministry of Energy of RoL (1994 – 1996); Vice-minister, Ministry of Economy (1997 – 2000); Finance Director, AB Lietuvos Dujos (2000 – 2002); General Manager, AB Lietuvos dujos (since 2002)

Antanas Juozas Zabulis	Independent Member of the Supervisory Council	23 03 2006	23 03 2010	Bossard University, Paris, international manager; International Business School, Vilnius University, manager; Vilnius University, physicist	Business development manager, UAB Statoil Lietuva (1994 – 1995); General manager, UAB Statoil Lietuva (1995 – 1997) Development manager for the Baltic States, General Manager for Lithuania, Statoil Baltics (1997 – 1999) Chief advisor, Statoil oljeselskap, HQ, Department of International Trade (1999 – 2000); President, UAB Omnitel (since 2000)
Torstein Hagen	Member of the Supervisory Council	12 05 2006	23 03 2010	Oslo School of Business and Economics, BMA; University of South Florida, MBA	Various positions at DnB (1994-2000); consultant, NTNA INTERNATIONAL MGMT (2000-2002); representative, NORD/LB (2002-2005); Chief Credit Officer, DnB NORD (since 2005)
Georg Christoph Schulz	Member of the Supervisory Council	24 05 2007	23 03 2010	German Academy of Savings Banks, diploma in Savings Banks Business Management	Sparkasse Prignitz, member of the Board (1994 – 2000); Sparkasse Soltau, member of the Board (2001-2003); DSGV, member of the Board (2003-2006); Norddeutsche Landesbank Girozentrale, member of the Board (since 2006)
Jarle Mortensen	Member of the Supervisory Council	24 05 2007	23 03 2010	Norwegian School of Management, Diploma in business management	Sparebanken NOR, Norway, district manager (1997-2000); DnB NOR Bank ASA, regional manager (2000-2004); DnB NOR Bank ASA, executive vice-president (since 2004)
Tony Samuelsen	Member of the Supervisory Council	22 05 2008	23 03 2010	Norwegian School of Economics and Business Administration, diploma in economics and business administration	DnB NOR, New York, CEO, (1995-1998); DnB NOR, London, CEO (2000-2005); DnB NORD A/S, Chief financial officer (2006-2008); DnB NOR vice-president (since 2008)

On 31 December 2008 the Management Board of *AB DnB NORD Bankas* consisted of five members after Alditas Saulius resigned from his position as member of the Management Board and Executive Vice President of the Bank on 5 November 2008. All the Management Board members have been appointed until the end of the term of office of the Supervisory Council that expires on 23 March 2010.

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

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Beginning	End		
Werner Heinz Schilli	Chairman of the Management Board, president	23 03 2006	23 03 2010	German Academy of Savings Banks, diploma in Savings Banks Business Management	Chairman of the Management Board, Sparkasse Frankfurt/Oder (1991-2001); Freelance consultant for savings banks and Savings banks association (2001-2002) Member of the Management Board, AB Bankas NORD/LB Lietuva (2002-2005)
Dr. Vygintas Bubnys	Vice-chairman of the Management Board, Executive Vice-president	23 03 2006	23 03 2010	Norwegian School of Management, Diploma in business management	Chairman of the Management Board, AB Lietuvos Taupomasis Bankas (1991 – 1997); Advisor, Deputy Manager, Manager, FBC Balticum Managament (1997-2000); Advisor to the Chairman of the Management Board, AB Lietuvos Žemės Ūkio Bankas, (2000-2002)
Gundars Andžans	Member of the Management Board, Executive Vice-president	23 03 2006	23 03 2010	Riga Technical University, Dipl.- Eng-Mathematician	Director, Central and Western Europe Region, UAB DATI, Riga (since 2002); General Manager SIA DATISENS, Riga, (2000-2003); Project manager, UAB DATI, Riga (1995-2000); Member of the Management Board, DnB NORD Banka (Latvia),
Dr.Jekaterina Titarenko	Member of the Management Board, Executive Vice-president	01 01 2007	23 03 2010	Vilnius University, PhD in Economics; VU, Bachelor's and master's degree (banking)	Economist, chief economist, On-site Examination Division, Credit Institutions Supervision department, Bank of Lithuania (1995-2001); Head of the sub-unit of the Bank Financial Activity Analysis, Unit of Assessment of Financial activities, Credit Institutions Supervision department, Bank of Lithuania (2001-2002); Deputy Head of the Unit of Assessment of Financial Activities, Bank of Lithuania (2002-2003); Manager, the Financial Risk Department, *AB DnB NORD Bankas*, (2003-2006).

Alditas Saulius	Member of the Management Board, Executive Vice-president	23 03 2006	05 11 2008	VU International Business School, specialist of international business; Vilnius University, radio physicist	Head of the On-site Examination Division, Credit Institutions Supervision Department, Bank of Lithuania (1997-2001); Credit analyst, NORD/LB Vilnius branch (2001-2002); Advisor to the Chairman of the Management Board, AB Bankas NORD/LB Lietuva (2002); Head of the Credit Division, AB Bankas NORD/LB Lietuva (2002-2003);
Sigitas Žutautas	Member of the Management Board, Executive Vice-president	01 01 2007	23 03 2010	Vilnius University MBA (accounting and audit), BSc (economics/ banking)	Economist, AB Litimpex bankas (1995-1996); Audit assistant, UAB KPMG Lietuva. Auditas. Apskaita. Konsultacijos (1996-1997); Senior associate, assistant manager, UAB PricewaterhouseCoopers (1998-2003); Lecturer, International Business School, Vilnius University, (2004); Manager of the Internal Audit Department, AB Bankas NORD/LB Lietuva (2003-2006); Manager of Panevėžys Business Centre, *AB DnB NORD Bankas* (2006).

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

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

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

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

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

Werner Heinz Schilli (Chairman of the Management Board and Chief Executive Officer): Graduated from German Academy of Savings Banks, diploma in Savings Banks Business Management. Werner Heinz Schilli started working in the banking sector in 1970. He has been employed with *AB DnB NORD Bankas* since 2002 and took the position of the President of the Bank 31 December 2005.
Previous work record:
Sparkasse Essen, various positions (1973 – 1991);
Chairman of the Management Board, Sparkasse Frankfurt/Oder (1991-2001);
Consultant, Schilli Consulting GMBH (2001-2002); General Manager, Schilli Consulting GMBH (since 2004);
Member of the Management Board, AB Bankas NORD/LB Lietuva (2002-2005).

Loreta Mockienė (Acting Chief Accountant, Head of the Accounting Policy and Accountability Unit): Master’s degree in business management from Vilnius University. Start of holding the office as Head of the Accounting Policy and Accountability Unit at the Bank in 2005.
Previous work record:
Auditor Assistant, audit company TŪB “J. Kabašinskas ir partneriai” (1998 - 2000);
Member of KŪB, J. Kabašinsko KŪB “JKP konsultacijos” (2000 - 2001);
Senior auditor of the Internal audit department, AB bankas “NORD/LB Lietuva” (2001 - 2005).
Loreta Mockienė has not acquired any shares of the Issuer.

18. INFORMATION ON THE ACTIVITIES OF THE AUDIT COMMITTEE

AB DnB NORD Bankas Audit Committee is established by the Supervisory Council of the Bank. During the year 2008 four meetings of the Bank’s Audit Committee were held. The Audit Committee consists of four members. The members of the Audit Committee are Jan Kuhnel (the chairman), Dr. Jurgen Allerkamp (did not participate in the meetings on 21 February 2008 and 15 May 2008, in the meetings on 21 August 2008 and 31 October 2008 he was substituted by Cord Meyer), Jarle Mortensen (did not participate in the meeting on 15 May 2008) and Sven Herlyn (did not participate in the meetings on 21 February 2008 and 31 October 2008), who resigned from his position in the Supervisory Council meeting on 5 November 2008. In this meeting a new member Torstein Hagen has been appointed.

The Supervisory Council of the Bank approved new regulations of the Audit Committee on 10 September 2008. The main activities of the Audit Committee are supervision of functioning of the internal control system of the Bank, approval of the annual audit plan for the Internal Audit Department and supervision of the audit process, review of the conclusions and recommendations of the external auditor with regard to the auditing procedure and accounting policy, determination of the risk areas of the Bank’s operations to be audited by the Internal Audit Department and by the external auditor, supervision of compliance of the Bank’s performance with the laws and regulations, Bylaws of the Bank and the strategy and operating policy of the Bank.

19. EMPLOYEES

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

To seek the professional advance *AB DnB NORD Bankas Group* has further developed training programs and self-learning tools, encouraging spreading of the best cases and success stories across group and using modern learning tools, such as E - learning. Employees' attestation and certification system was implemented during 2008, involving systematic introduction of new employees to certain positions and quarterly testing of knowledge of sales network employees.

In June 2008 further step of extensive management survey was taken and 360 degree survey for middle management of sales network was conducted. The results helped to identify the strengths of leadership culture in the Bank and areas for improvement that serves as base for further adequate management training programs in 2008/2009. The results of management surveys in 2007/2008 lead to distinguishment of core leadership principles for managers in *AB DnB NORD Bankas Group*, which are used for development programs and performance appraisal of all managers.

Two management conferences have been organized during 2008 to encourage creative attitude and accepting the chalenge of changes also emphasizing Smart sales philosophy, which supports new Customer promise of *AB DnB NORD Bankas Group*.

In October 2008 the traditional sales GURU day has been organized, where 200 sales managers shared their success stories and developed approaches to new solutions how to serve customers best and bring to live Customer Promise of the Bank.

With an aim of more efficient implementation of the Bank's strategic goals, the performance appraisal system has been updated and was designed to align the targets set to employees with the Bank's strategy and focus on task formation quality and efficiency. The upgraded appraisal system also puts special attention to managerial skills estimate.
With the aim of consistent implementation of group's HRM policy the centralization of HRM activities in *AB DnB NORD Bankas* subsidiary companies has been started in 2008, and it will be fully functionable in 2009.

Successful cooperation with Lithuanian high schools and colleges was maintained and traineeship programs were further developed during 2008.

As of 31 December 2008 *AB DnB NORD Bankas Group* employed 1,312 employees, and their average monthly salary amounted to LTL 3,620. In the reporting year the number of *AB DnB NORD Bankas Group* employees averaged 1,289. The increase of the number of the Group employees reflected business growth and development of branch network.

Changes in the number of employees and salaries:

	31 12 2005	31 12 2006	31 12 2007	31 12 2008
Number of staff in the Bank	1,030	1,044	1,162	1,229
Number of staff in the Group	1,065	1,086	1,223	1,312
Average monthly salary in the Group in LTL	2,560	2,750	3,245	3,620

As at 31 December 2008, the average monthly salary by main staff groups was as follows: LTL 6,240 to the administration (Members of the Management Board excluded); LTL 2,740 to specialists; LTL 1,930 to clerical staff; LTL 2,000 to workers.

The Group's staff number by groups of positions as of 31 December 2008.

Total employees		**Staff structure by education**		
		Higher	**Specialised secondary (high)**	**Secondary**
Administration	226	201	20	5
Specialists	1,047	681	198	168
Clerical staff	33	13	12	8
Workers	6		4	2
Total	**1,312**	**895**	**234**	**183**

20. EXECUTIVE REMUNERATION POLICY REPORT

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

According to the executive remuneration policy of *AB DnB NORD Bankas Group* the Remuneration of the Members of the Management Board and Chief Accountant of *AB DnB NORD Bankas* consists of two parts: fixed remuneration and variable remuneration. The amounts are linked to fulfilment of objectives and results of *AB DnB NORD Bankas* also taking ino consideration the data of Lithuania's labor market research. No changes to the policy are planned in 2009.

The gross salary for the period from 1 January 2008 until 31 December 2008 and bonuses for the year 2007 paid in 2008 to the Members of the Management Board (holding other positions at the Bank) and Chief Accountant:

	Gross salary, LTL	Bonuses, LTL
Total:	**2,384,657**	**1,199,424**
Average amount, per person	340,665	171,346

In 2008 the Members of the Management Board and Chief Accountant were paid LTL 353,501 in other payments (car allowance, flat rent and business trip overlimit allowance).

In 2008 the Members of the Supervisory Council were paid TLTL 126 tantiemes for the year 2007, TLTL 12.6 average amount per person. Pursuant to the resolution of the general meeting of shareholders as of 28 March 2008 the members of the Supervisory Council were paid TLTL 21.75 for meeting attendance, TLTL 10.8 average amount per person.

The employees of *AB DnB NORD Bankas Group* have no share-incentive or supplementary pension schemes.

Agreements with the members of the Management Board, who also have other responsibilities in the Bank, are concluded for the period of their Management Board tenure. There is no special commitments regarding severance payment except the listed below:

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

21. DIVIDEND

Over the period of past three years the shareholders of *AB DnB NORD Bankas* have allocated the profit earned by the Bank for further balanced growth of the Group.

22. PROCEDURE FOR AMENDING THE BYLAWS

Following the effective Bylaws of the Issuer that were registered with the Register of Legal Entities on 20 August 2008, and the Law on Companies, the Bylaws of the Issuer may be amended by decision of the General Meeting of Shareholders taken by at least 2/3 of the votes of all the shareholders participating in the General Meeting of Shareholders, save for the exceptions established by law.

23. INFORMATION ON LEGAL OR ARBITRAL PROCEEDINGS

During the period from 1 January 2008 to 31 December 2008 there were no legal or arbitral proceedings that had or could have had substantial influence on the financial state of the Issuer.

24. COMPLIANCE TO THE CORPORATE GOVERNANCE CODE

Notification on the Bank's compliance to the Corporate Governance Code approved by Vilnius stock exchange is provided in annex No. 2 of the present Consolidated Annual Report.

On behalf of the Management Board

Werner Heinz Schilli
Chairman of the Management Board,
President of the Bank

ANNEX I

MAIN CHARACTERISTICS OF DEBT SECURITIES ISSUED FOR PUBLIC TRADING

As of 31 December 2008 the following debt securities issues were made by the Issuer for public trading:

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2008 (LTL)
4.33 percent fixed rate note issue No. 1 (LT0000403388)	250 000	100 (LTL)	100.00 (LTL)	25 000 000 (LTL)	4.33	26 09 2009	Par	1 082 500
Fixed rate note issue No. 1/2008 (LT0000401507)	579 690	100 (LTL)	99.91 - 100.00 (LTL)	57 969 000 (LTL)	6.25	13 02 2009	Par	-
Fixed rate note issue No. 2/2008 (LT0000401523)	184 655	100 (LTL)	99.89 - 100.00 (LTL)	18 465 500 (LTL)	5.90	26 03 2009	Par	-
Fixed rate note issue No. 3/2008 (LT0000401556)	476 425	100 (LTL)	99.95 - 100.00 (LTL)	47 642 500 (LTL)	6.28	31 05 2009	Par	-
Fixed rate note issue No. 4/2008 (LT0000401614)	358 358	100 (LTL)	99.91- 100.00 (LTL)	35 835 800 (LTL)	6.60	24 07 2009	Par	-
Fixed rate note issue No. 5/2008 (LT0000401689)	337 579	100 (LTL)	99.94- 100.00 (LTL)	33 757 900 (LTL)	6.90	28 09 2009	Par	-
Fixed rate note issue No. 6/2008 (LT0000401747)	49 461	100 (LTL)	99.94- 100.00 (LTL)	49 46 100 (LTL)	7.60	18 10 2009	Par	-
Fixed rate note issue No. 7/2008 (LT0000402406)	129 003	100 (LTL)	99.81- 100.00 (LTL)	12 900 300 (LTL)	9.80	15 11 2010	Par	-
Fixed rate note issue No. 8/2008 (LT0000401838)	96 154	100 (LTL)	99.83- 100.00 (LTL)	9 615 400 (LTL)	12.00	28 12 2009	Par	-
Security and commodity index linked notes								
Global equity-linked note issue No. 1 (LT1000403147)	30 000	100 (EUR)	100.00 (EUR)	3 000 000 (EUR)	Subject to index change	06 03 2009	Par + premium	-
Global equity-linked note issue No. 2 (LT1000403162)	88 328	100 (EUR)	100.00 (EUR)	8 832 800 (EUR)	Subject to index change	24 01 2009	Par + premium	-
Global equity-linked note issue No. 3 (LT1000403170)	12 500	100 (EUR)	100.00 (EUR)	1 250 000 (EUR)	Subject to index change	13 02 2009	Par + premium	-

Name of securities (ISIN code)	Number of secu-rities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemp-tion pri-ce, terms and pro-cedure	Coupons paid in 2008 (LTL)
Global equity-linked note issue No. 4 (LT1000403188)	99 336	100 (EUR)	99.58-100,00 (EUR)	9 933 600 (EUR)	Subject to index change	27 04 2009	Par + premium	-
Global equity-linked note issue No. 5 (LT1000403055)	33 126	100 (EUR)	100.00 (EUR)	3 312 600 (EUR)	Subject to index change	05 05 2009	Par + premium	-
Global equity-linked note issue No. 6 (LT1000403071)	30 000	100 (EUR)	100.00 (EUR)	3 000 000 (EUR)	Subject to index change	16 05 2009	Par + premium	-
Global equity-linked note issue No. 7 (LT1000403238)	47 373	100 (EUR)	99.66-100.00 (EUR)	4 737 300 (EUR)	Subject to index change	16 06 2009	Par + premium	-
Global equity-linked note issue No. 8 (LT1000403261)	29 597	100 (EUR)	100.00 (EUR)	2 959 700 (EUR)	Subject to index change	19 05 2009	Par + premium	-
Global equity-linked note issue No. 9 (LT1000405027)	12 236	100 (EUR)	100.00 (EUR)	1 223 600 (EUR)	Subject to index change	14 07 2011	Par + premium	-
Russia and Central Europe index linked note issue No. 1,2 (LT1000403154)	45 000	100 (EUR)	100.00 (EUR)	4 500 000 (EUR)	Subject to index change	06 03 2009	Par + premium	-
Russia and Central Europe index linked note issue No. 3 (LT1000403196)	52 000	100 (EUR)	99.58-100.00 (EUR)	5 200 000 (EUR)	Subject to index change	27 04 2009	Par + premium	-
Russia and Central Europe index linked note issue No. 4 (LT1000403253)	16 066	100 (EUR)	100.00 (EUR)	1 606 600 (EUR)	Subject to index change	19 05 2009	Par + premium	-
BRIC equity-linked note issue No. 1 (LT1000403246)	49 642	100 (EUR)	99.66-100.00 (EUR)	4 964 200 (EUR)	Subject to index change	16 06 2009	Par + premium	-
Commodity price-linked notes No. 1 (LT1000403295)	48 377	100 (EUR)	102.54-103.00 (EUR)	4 837 700 (EUR)	Subject to index change	02 10 2009	Par + premium	-
Global equity-linked note issue No. 10 (LT1000403287)	16 224	100 (EUR)	99.56-100.00 (EUR)	1 622 400 (EUR)	Subject to index change	02 10 2009	Par + premium	-
Global equity-linked note issue No. 11 (LT1000405035)	3 699	100 (EUR)	99.56-100.00 (EUR)	369 900 (EUR)	Subject to index change	03 10 2011	Par + premium	-
Global equity-linked note issue No. 12 (LT0000403396)	60 206	100 (LTL)	100.00 (LTL)	6 020 600 (LTL)	Subject to index change	02 11 2009	Par + premium	-
Global equity-linked note issue No. 13 (LT1000403352)	8 345	100 (LVL)	100.00 (LVL)	834 500 (LVL)	Subject to index change	16 10 2009	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2008 (LTL)
Global equity-linked note issue No. 14 (LT0000403438)	60 130	100 (LTL)	100.00 (LTL)	6 013 000 (LTL)	Subject to index change	01 12 2009	Par + premium	-
BRIC equity-linked note issue No. 2 (LT0000403446)	75 107	100 (LTL)	100.00 (LTL)	7 510 700 (LTL)	Subject to index change	07 12 2009	Par + premium	-
Global equity-linked note issue No. 15 (LT0000403453)	34 650	100 (LTL)	100.00 (LTL)	3 465 000 (LTL)	Subject to index change	11 01 2010	Par + premium	-
BRIC equity-linked note issue No. 3 (LT1000403386)	13 940	100 (LVL)	100.00 (LVL)	1 394 000 (LVL)	Subject to index change	09 12 2009	Par + premium	-
Global equity-linked note issue No. 16 (LT0000403511)	33 361	100 (LTL)	100.00 (LTL)	3 336 100 (LTL)	Subject to index change	23 02 2010	Par + premium	-
BRIC equity-linked note issue No. 4 (LT0000403586)	96 700	100 (LTL)	100.00 (LTL)	9 670 000 (LTL)	Subject to index change	08 02 2010	Par + premium	-
Global equity-linked note issue No. 17-LV (LV0000800449)	15 209	100 (EUR)	100.00 (EUR)	1 520 900 (EUR)	Subject to index change	27 03 2010	Par + premium	-
Global equity-linked note issue No. 18-LV (LV0000800431)	4 130	100 (LVL)	100.00 (LVL)	413 000 (LVL)	Subject to index change	27 03 2010	Par + premium	-
China index linked note issue No. 1 (LT0000403594)	352 825	100 (LTL)	100.00 (LTL)	35 282 500 (LTL)	Subject to index change	22 03 2010	Par + premium	-
Oil price linked note issue No. 1 (LT1000403428)	14 461	100 (USD)	100.00 (USD)	1 446 100 (USD)	Subject to index change	03 02 2010	Par + premium	-
China index linked note issue No. 2 (LT0000403602)	79 800	100 (LTL)	100.00 (LTL)	7 980 000 (LTL)	Subject to index change	01 03 2010	Par + premium	-
Oil price linked note issue No. 2 (LT0000403735)	58 751	100 (LTL)	100.00 (LTL)	5 875 100 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Global equity-linked note issue No. 20 (LT0000403800)	119 367	100 (LTL)	100.00 (LTL)	11 936 700 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Asia equity linked note issue No. 1 (LT0000403792)	57 025	100 (LTL)	100.00 (LTL)	5 702 500 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Global equity-linked note issue No. 19-LV (LV0000800472)	20 102	100 (EUR)	100.00 (EUR)	2 010 200 EUR)	Subject to index change	26 05 2010	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2008 (LTL)
Asia equity linked note issue No. 2 (LT0000403818)	31 653	100 (LTL)	100.00 (LTL)	3 165 300 (LTL)	Subject to index change	19 06 2010	Par + premium	-
Asia equity linked note issue No. 3 (LT1000403451)	11 677	100 (EUR)	100.00 (EUR)	1 167 700 (EUR)	Subject to index change	19 06 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.1 (LT0000403826)	220 547	100 (LTL)	100.00 (LTL)	22 054 700 (LTL)	Subject to index change	07 06 2010	Par + premium	-
Global equity-linked note issue No. 21 (LT0000403834)	48 541	100 (LTL)	100.00 (LTL)	4 854 100 (LTL)	Subject to index change	02 08 2010	Par + premium	-
Europe index linked note issue No. 1-LV (LV0000800506)	35 511	100 (EUR)	99.68-100.00 (EUR)	3 551 100 (EUR)	Subject to index change	28 07 2010	Par + premium	-
Emerging markets linked note issue No. 1 (LT0000403875)	51 850	100 (LTL)	100.00 (LTL)	5 185 000 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.2 (LT0000403867)	37 237	100 (LTL)	100.00 (LTL)	3 723 700 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Global equity-linked note issue No. 22 (LT0000403859)	99 450	100 (LTL)	100,00 (LTL)	9 945 000 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Global equity-linked note issue No. 23 (LT1000405043)	20 562	100 (EUR)	100.00 (EUR)	2 056 200 (EUR)	Subject to index change	22 06 2012	Par + premium	-
Global equity-linked note issue No. 24 (LT1000403477)	11 500	100 (EUR)	100.00 (EUR)	1 150 000 (EUR)	Subject to index change	05 07 2010	Par + premium	-
Global equity-linked note issue No. 25 (LT1000403501)	94 200	100 (EUR)	100.00 (EUR)	9 420 000 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.3 (LT1000403493)	33 238	100 (EUR)	100.00 (EUR)	3 323 800 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 2 (LT1000403485)	61 013	100 (EUR)	100.00 (EUR)	6 101 300 (EUR)	Subject to index change	07 07 2010	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2008 (LTL)
Emerging markets linked note issue No. 3 (LT0000403917)	69 208	100 (LTL)	100.00 (LTL)	6 920 800 (LTL)	Subject to index change	19 07 2010	Par + premium	-
Global equity-linked note issue No. 26 (LT0000403925)	155 339	100 (LTL)	100.00 (LTL)	15 533 900 (LTL)	Subject to index change	19 07 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 1 (LT0000403941)	47 000	100 (LTL)	110.00 (LTL)	4 700 000 (LTL)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 4 (LT1000403519)	33 812	100 (EUR)	100.00 (EUR)	3 381 200 (EUR)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 2 (LT0000403982)	347 646	100 (LTL)	100.00 (LTL)	34 764 600 (LTL)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 3 (LT1000403527)	34 536	100 (EUR)	100.00 (EUR)	3 453 600 (EUR)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 4 (LT1000403535)	12 350	100 (EUR)	110.00 (EUR)	1 235 000 (EUR)	Subject to index change	16 08 2010	Par + premium	-
China and Japan property linked note issue No.1 (LT0000403990)	63 217	100 (LTL)	100.00 (LTL)	6 321 700 (LTL)	Subject to index change	25 09 2010	Par + premium	-
China and Japan property linked note issue No.2 (LT0000430019)	3 704	100 (LTL)	110.00 (LTL)	370 400 (LTL)	Subject to index change	25 09 2010	Par + premium	-
Short term equity-linked note issue No. 4 (LT0000402257)	58 375	100 (LTL)	100.00 (LTL)	5 837 500 (LTL)	Subject to index change	26 03 2009	Par + premium	-
Short term equity-linked note issue No. 5 (LT0000402265)	17 203	100 (LTL)	110.00 (LTL)	1 720 300 (LTL)	Subject to index change	26 03 2009	Par + premium	-
New emerging country equity linked note issue No. 1 (LT0000430118)	44 143	100 (LTL)	99.60-100.00 (LTL)	4 414 300 (LTL)	Subject to index change	02 11 2010	Par + premium	-
New emerging country equity linked note issue No. 2 (LT0000430126)	21 551	100 (LTL)	110.00 (LTL)	2 155 100 (LTL)	Subject to index change	02 11 2010	Par + premium	-
Emerging markets linked note issue No. 6 (LT0000430209)	210 783	100 (LTL)	100.00 (LTL)	21 078 300 (LTL)	Subject to index change	20 10 2010	Par + premium	-

Name of securities (ISIN code)	Number of secu-rities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemp-tion pri-ce, terms and pro-cedure	Coupons paid in 2008 (LTL)
Black sea region equity linked note issue No. 1 (LT0000430217)	141 566	100 (LTL)	100.00 (LTL)	14 156 600 (LTL)	Subject to index change	20 10 2010	Par + premium	-
Global equity-linked note issue No. 28 (LT1000403592)	36 465	100 (EUR)	100.00 (EUR)	3 646 500 (EUR)	Subject to index change	20 10 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 7 (LT0000430225)	35 950	100 (LTL)	100.00 (LTL)	3 595 000 (LTL)	Subject to index change	20 10 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 8 (LT1000403600)	29 766	100 (EUR)	100.00 (EUR)	2 976 600 (EUR)	Subject to index change	15 11 2010	Par + premium	-
China index linked note issue No. 3 (LT0000430324)	330 899	100 (LTL)	100.00 (LTL)	33 089 900 (LTL)	Subject to index change	15 11 2010	Par + premium	-
China index linked note issue No. 4 (LT0000430332)	331 942	100 (LTL)	100.00 (LTL)	33 194 200 (LTL)	Subject to index change	15 11 2010	Par + premium	-
BRIC equity-linked note issue No. 5 (LT0000430340)	123 040	100 (LTL)	100.00 (LTL)	12 304 000 (LTL)	Subject to index change	22 12 2010	Par + premium	-
China index linked note issue No. 5 (LT0000430357)	157 255	100 (LTL)	99.34-100.00 (LTL)	15 725 500 (LTL)	Subject to index change	26 09 2010	Par + premium	-
Oil price linked note issue No. 3 (LT1000403543)	10 590	100 (EUR)	100.00 (EUR)	1 059 000 (EUR)	Subject to index change	29 09 2010	Par + premium	-
Global equity-linked note issue No. 20-LV (LV0000800522)	29 063	100 (EUR)	99.64-100.00 (EUR)	2 906 300 (EUR)	Subject to index change	05 12 2010	Par + premium	-
BRIC equity-linked note issue No. 5-LV (LV0000800555)	2 227	100 (EUR)	99.59-100.00 (EUR)	222 700 (EUR)	Subject to index change	05 12 2010	Par + premium	-
BRIC equity-linked note issue No. 6-LV (LV0000800563)	19 040	100 (EUR)	102.57-103.00 (EUR)	1 904 000 (EUR)	Subject to index change	08 12 2010	Par + premium	-
Emerging markets linked note issue No. 7 (LT1000403634)	154 045	100 (EUR)	100.00 (EUR)	15 404 500 (EUR)	Subject to index change	08 12 2010	Par + premium	-
Emerging markets linked note issue No. 8 (LT0000430365)	119 080	100 (LTL)	100.00 (LTL)	11 908 000 (LTL)	Subject to index change	08 12 2010	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2008 (LTL)
Emerging markets linked note issue No. 9 (LT1000403659)	11 130	100 (EUR)	99.53-100.00 (EUR)	1 113 000 (EUR)	Subject to index change	31 01 2011	Par + premium	-
Emerging markets linked note issue No. 10-LV (LV0000800621)	7 086	100 (EUR)	102.66-103.00 (EUR)	708 600 (EUR)	Subject to index change	04 03 2011	Par + premium	-
Russia index linked note issue No. 5 (LT1000403667)	3 901	100 (EUR)	99.58-100.00 (EUR)	390 100 (EUR)	Subject to index change	11 03 2011	Par + premium	-
Russia index linked note issue No. 6 (LT0000430449)	54 949	100 (LTL)	99.56-100.00 (LTL)	5 494 900 (LTL)	Subject to index change	11 03 2011	Par + premium	-
Middle East index linked note issue No. 1 (LT0000402307)	87 940	100 (LTL)	100.00 (LTL)	8 794 000 (LTL)	Subject to index change	11 03 2010	Par + premium	-
Middle East index linked note issue No. 3 (LT0000430548)	26 316	100 (LTL)	100.00 (LTL)	2 631 600 (LTL)	Subject to index change	18 03 2011	Par + premium	-
Middle East index linked note issue No. 4 (LT1000403741)	38 067	100 (EUR)	100.00 (EUR)	3 806 700 (EUR)	Subject to index change	18 03 2011	Par + premium	-
Food index linked note issue No. 1 (LT1000403733)	34 219	100 (EUR)	100.00 (EUR)	3 421 900 (EUR)	Subject to index change	18 03 2011	Par + premium	-
Middle East index linked note issue No. 2 (LT0000430530)	79 429	100 (LTL)	99.62-100.00 (LTL)	7 942 900 (LTL)	Subject to index change	11 04 2011	Par + premium	-
Global equity-linked note issue No. 29 (LT0000430555)	36 447	100 (LTL)	99.33-100.00 (LTL)	3 644 700 (LTL)	Subject to index change	20 05 2011	Par + premium	-
Emerging markets linked note issue No. 11-LV (LV0000800670)	7 421	100 (EUR)	102.61-103.00 (EUR)	742 100 (EUR)	Subject to index change	13 06 2011	Par + premium	-
Emerging markets linked note issue No. 12 (LT1000403782)	15 298	100 (EUR)	100.00 (EUR)	1 529 800 (EUR)	Subject to index change	13 06 2011	Par + premium	-
Commodity price-linked notes No. 3 (LT1000403774)	15 481	100 (EUR)	100.00 (EUR)	1 548 100 (EUR)	Subject to index change	13 06 2011	Par + premium	-

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2008 (LTL)
BRIC equity-linked note issue No. 7 (LT1000403776)	30 946	100 (EUR)	100.00 (EUR)	3 094 600 (EUR)	Subject to index change	17 06 2011	Par + premium	-
Global equity-linked note issue No. 30 (LT0000430589)	88 086	100 (LTL)	100.00 (LTL)	8 808 600 (LTL)	Subject to index change	27 06 2011	Par + premium	-
Emerging markets linked note issue No. 14 (LT0000430621)	17 498	100 (LTL)	100.00 (LTL)	1 749 800 (LTL)	Subject to index change	29 07 2011	Par + premium	
Russia equity linked note issue No. 7 (LT1000403873)	9 579	100 (EUR)	100.00 (EUR)	957 900 (EUR)	Subject to index change	19 09 2011	Par + premium	
Russia equity linked note issue No. 8 LV (LV0000800738)	3 741	100 (EUR)	99.51 – 100 (EUR)	374 100 (EUR)	Subject to index change	19 09 2011	Par + premium	
Global equity-linked note issue No. 31 (LT0000404113)	14 901	100 (LTL)	100.00 (LTL)	1 490 100 (LTL)	Subject to index change	07 11 2011	Par + premium	-
Global equity-linked note issue No. 32 (LT0000430696)	60 000	100 (LTL)	100.00 (LTL)	6 000 000 (LTL)	Subject to index change	07 11 2011	Par + premium	-

ANNEX II

DISCLOSURE OF AB DnB NORD BANKAS CONCERNING COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON REGULATED MARKET APPROVED BY VILNIUS STOCK EXCHANGE

AB DnB NORD Bankas (hereinafter referred to as “the Bank”, “the Company” or “the Issuer”), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 23.5 of the Trading Rules of Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it is specified which provisions are not complied with and the reasons of non-compliance.

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

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both the Supervisory Council and the Management Board are elected in the Bank.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Management Board consists of 6 (six) members and the Supervisory Council – of 8 (eight) members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Supervisory Council is elected for the term of 4 (four) years. The Bylaws and practice of the Bank does not prohibit a re-election of the members of the Supervisory Council for a new term.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting *The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.*		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	Yes	The Bank considers Mr. Antanas Zabulis and Mr. Viktoras Valentukevičius as independent members of the Supervisory Council.

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

8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Yes	The members of the Supervisory Council indicated in item 3.6 hereinabove are considered as independent since they meet the criteria provided for in the Code.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting *The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.*		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the best knowledge of the Bank all the members of the Supervisory Council act in good faith, with care and responsibility not for their own or third parties' interests, but for the benefit and in the interests of the Bank and its shareholders.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	The Audit Committee is established by the Supervisory Council of the Bank. Nomination and Remuneration Committees are not established. The functions of these committees are performed by the Supervisory Council. It is not reasonable to establish two additional committees, since the term of office of the members of the Management Board is 4 years. Fluctuation of the members of the Management Board is not frequent. It is not relevant to have permanent Nomination and Remuneration Committees.

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	There are 4 (four) members in the Audit Committee established by the Supervisory Council. According to applicable regulations the Supervisory Council shall establish at least 1 (one) independent member in the Audit Committee during the year 2009.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	

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

4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. 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;	Yes	

5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.		

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	In the Meeting of the Supervisory Council to be held before the ordinary general meeting of shareholders of 2009, the Supervisory Council will perform the annual self-assessment which will be disclosed publicly.
Principle V: The working procedure of the company's collegial bodies *The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.*		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	
Principle VI: The equitable treatment of shareholders and shareholder rights *The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.*		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares consisting the authorised capital of the Bank grant equal rights to all the owners of the shares of the Bank.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	Pursuant to the Law on Companies and the By-laws of the Bank the approval of transactions indicated in this item is attached to the competence of the Management Board. According to the internal regulations of the Bank significant transactions shall also be approved by the Supervisory Council.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	

6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	According to the item 26.4 of the Rules of Vilnius Stock Exchange (VSE) the issuer is obliged to publish draft resolutions of the forthcoming general meeting of shareholders through the information disclosure system of VSE not later than at the day when the shareholders of the issuer are being granted a possibility to familiarize themselves with the draft resolutions. The Issuer is obliged to announce about decisions passed in the general (or repeated) meeting of shareholders of the issuer through the information disclosure system of VSE. The information disclosed in the information disclosure system of VSE is also published on the Bank's website.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Taking into consideration the structure of shareholders of the Bank and settled procedure of the meetings of shareholders of the Bank there is no need to implement measures indicated in this item. Moreover, the expenses required for the implementation of such measures would be not adequate to the expected benefits.
Principle VII: The avoidance of conflicts of interest and their disclosure *The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.*		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy *Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.*		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	Yes	
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Considering that there are no significant changes in Bank's remuneration policy planned for year 2009, the remuneration statement does not provide information on remuneration policy for the following financial year. Remuneration statement contains a summary of the implementation of the remuneration policy in the previous financial year.

8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	Yes	
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	Yes	
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	The Remuneration Committee is not established in the Bank.
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The Remuneration policy is approved by the Supervisory Council of the Bank. Remuneration statement is a part of Annual Report which is put for voting in shareholders' annual general meeting.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the 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;	No	The Bank (following the requirements of the legal acts) publishes the remuneration for the members of the Supervisory Council and Management Board (heads of administration) and the average amount paid for every director in the remuneration statement. The employees of the Bank do not have any share-incentive or supplementary pension schemes.

3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		

8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	The Bank does not apply schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		

8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance *The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.*		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Bank complies with all requirements of legal acts regarding rights of the stakeholders to participate in the corporate governance of the Bank. However, no group of stakeholders, entitled according to the laws to participate in the corporate governance of the Bank, has implemented its rights according to the procedures set in the laws.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the Company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency *The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.*		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the Company; 4) Members of the company's supervisory and management bodies, chief executive officer of the Company and their remuneration;	Yes	

5) Material foreseeable risk factors; 6) Transactions between the Company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	

10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	No	All the information indicated in this item is published on the website of the Bank, except for the changes in the price of the Bank's shares on the Stock Exchange, since this information is published on the website of the Vilnius Stock Exchange and is accessible by every interested person.

Principle XI: The selection of the company's auditor *The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.*		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	

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

THE GROUP AND BANK INCOME STATEMENT

	Notes	Group 2008	Group 2007	Bank 2008	Bank 2007
Interest income		817,257	529,911	759,284	494,605
Interest expense		(508,710)	(287,684)	(465,249)	(262,761)
Net interest income	1	308,547	242,227	294,035	231,844
Fee and commission income	2	85,974	74,246	81,975	70,630
Fee and commission expense	2	(17,454)	(15,226)	(17,275)	(14,895)
Net interest, fee and commission income		377,067	301,247	358,735	287,579
Net gain (loss) on operations with securities and derivative financial instruments	3	(2,922)	7,029	(2,454)	8,295
Net foreign exchange result		9,953	16,335	9,190	16,456
Impairment losses and provisions	4	(99,894)	(20,139)	(95,152)	(19,072)
Other income	5	7,267	6,306	6,642	5,783
Personnel expenses	6	(97,923)	(89,697)	(92,248)	(85,604)
Depreciation and amortisation	7	(19,122)	(16,307)	(14,227)	(12,159)
Other administrative expenses	8	(91,564)	(73,736)	(86,660)	(69,711)
Profit before income tax		82,862	131,038	83,826	131,567
Income tax	9	(13,455)	(24,121)	(13,089)	(23,683)
Net profit for the year		69,407	106,917	70,737	107,884
Attributable to:					
Equity holders of the parent		69,407	106,917	70,737	107,884
Earnings per share (in LTL per share)					
– Basic	10	17.86	35.93		
– Diluted	10	17.86	35.93		

The accounting policies and notes on pages 68 to 140 are an integral part of these financial statements.

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

THE GROUP AND BANK BALANCE SHEET

	Notes	Group		Bank	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
ASSETS					
Cash and balances with central banks	11	484,359	475,595	484,355	475,592
Due from banks	12	203,480	327,329	202,434	327,328
Trading securities	13	58,807	3,214	58,807	3,214
Securities designated at fair value through profit or loss	14	295,944	-	295,944	-
Derivative financial instruments	15	40,696	98,821	40,696	98,821
Securities available-for-sale	16	609,034	727,073	606,270	725,863
Loans and advances to customers	17	11,179,610	8,810,217	11,260,940	8,869,160
Finance lease receivables	18	901,735	754,338	-	-
Investments in subsidiaries	19	-	-	8,900	7,200
Property, plant and equipment	20	136,683	129,922	120,519	109,234
Intangible assets	21	7,977	8,932	7,415	8,202
Deferred income tax asset	9	2,872	780	2,235	212
Other assets	22	36,453	76,985	12,998	6,643
Total assets		**13,957,650**	**11,413,206**	**13,101,513**	**10,631,469**
LIABILITIES					
Due to banks	23	7,498,090	4,943,502	6,606,993	4,172,686
Derivative financial instruments	15	50,221	11,736	50,221	11,736
Due to customers	24	3,821,532	4,249,598	3,858,697	4,264,038
Debt securities in issue	25	1,179,048	1,116,124	1,179,048	1,116,124
Current income tax liabilities	9	9,634	17,798	9,349	17,795
Subordinated loans	26	405,387	263,570	405,387	263,570
Other liabilities	27	50,384	78,242	47,529	53,692
Total liabilities		**13,014,296**	**10,680,570**	**12,157,224**	**9,899,641**
SHAREHOLDERS' EQUITY					
Ordinary shares	28	590,999	363,692	590,999	363,692
Share premium	28	277,218	205,747	277,218	205,747
Retained earnings		69,988	161,166	70,737	160,517
Reserves	29	5,149	2,031	5,335	1,872
Total shareholders' equity		**943,354**	**732,636**	**944,289**	**731,828**
Total liabilities and equity		**13,957,650**	**11,413,206**	**13,101,513**	**10,631,469**

These Financial Statements were signed on 13 February 2009:

W. Schilli
Prezident

L. Mockienė
Acting Chief Accountant

The accounting policies and notes on pages 68 to 140 are an integral part of these financial statements.

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

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary shares	Share premium	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	Total
Balance at 31 December 2006	**311,736**	**92,800**	**(277)**	**3,875**	**907**	**57,374**	**466,415**
Net changes in available-for-sale securities revaluation, net of tax	-	-	(5,599)	-	-	-	(5,599)
Transfer to retained earnings	-	-	-	-	(44)	44	-
Total income and expenses for the year recognised directly in equity			(5,599)		(44)	44	(5,599)
Net profit for the year	-	-	-	-	-	106,917	106,917
Total income and expense for the year	-	-	(5,599)	-	(44)	106,961	101,318
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	51,956	112,947	-	-	-	-	164,903
Transfer to mandatory reserve	-	-	-	3,169	-	(3,169)	-
Balance at 31 December 2007	**363,692**	**205,747**	**(5,876)**	**7,044**	**863**	**161,166**	**732,636**
Net changes in available-for-sale securities revaluation, net of tax	-	-	(4,956)	-	-	-	(4,956)
Transfer to retained earnings	-	-	-	-	(21)	21	-
Total income and expenses for the year recognised directly in equity	-	-	(4,956)	-	(21)	21	(4,956)
Net profit for the year	-	-	-	-	-	69,407	69,407
Total income and expense for the year	-	-	(4,956)	-	(21)	69,428	64,451
Increase of share capital (by issuing ordinary registered shares from the own funds of the Bank)	181,846	(29,335)	-	-	-	(152,511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45,461	100,806	-	-	-	-	146,267
Transfer to mandatory reserve	-	-	-	8,095	-	(8,095)	-
Balance at 31 December 2008	**590,999**	**277,218**	**(10,832)**	**15,139**	**842**	**69,988**	**943,354**

The accounting policies and notes on pages 68 to 140 are an integral part of these financial statements.

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

BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary shares	Share premium	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	Total
Balance at 31 December 2006	**311,736**	**92,800**	**(287)**	**3,749**	**907**	**55,689**	**464,594**
Net changes in available-for-sale securities revaluation, net of tax	-	-	(5,553)	-	-	-	(5,553)
Transfer to retained earnings	-	-	-	-	(44)	44	-
Total income and expenses for the year recognised directly in equity	-	-	(5,553)	-	(44)	44	(5,553)
Net profit for the year	-	-	-	-	-	107,884	107,884
Total income and expense for the year	-	-	(5,553)	-	(44)	107,928	102,331
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	51,956	112,947	-	-	-	-	164,903
Transfer to mandatory reserve	-	-	-	3,100	-	(3,100)	-
Balance at 31 December 2007	**363,692**	**205,747**	**(5,840)**	**6,849**	**863**	**160,517**	**731,828**
Net changes in available-for-sale securities revaluation, net of tax	-	-	(4,543)	-	-	-	(4,543)
Transfer to retained earnings	-	-	-	-	(21)	21	-
Total income and expenses for the year recognised directly in equity	-	-	(4,543)	-	(21)	21	(4,543)
Net profit for the year	-	-	-	-	-	70,737	70,737
Total income and expense for the year	-	-	(4,543)	-	(21)	70,758	66,194
Increase of share capital (by issuing ordinary registered shares from the own funds of the Bank)	181,846	(29,335)	-	-	-	(152,511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45,461	100,806	-	-	-	-	146,267
Transfer to mandatory reserve	-	-	-	8,027	-	(8,027)	-
Balance at 31 December 2008	**590,999**	**277,218**	**(10,383)**	**14,876**	**842**	**70,737**	**944,289**

The accounting policies and notes on pages 68 to 140 are an integral part of these financial statements.

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

GROUP AND BANK CASH FLOW STATEMENT

		Group		Bank	
Operating activities	**Notes**	**2008**	**2007**	**2008**	**2007**
Interest receipt		735,248	483,847	678,097	451,221
Interest payments		(441,827)	(206,558)	(397,894)	(190,731)
Collected previously written-off loans		3,277	4,050	3,277	4,050
Receipts from FX trading		17,740	8,618	17,740	8,739
Net receipt from operations in securities		7,202	7,214	7,183	7,170
Fee and commission receipt		85,974	75,679	81,977	72,063
Fee and commission payments		(17,454)	(16,659)	(17,275)	(16,328)
Salaries and related payments		(111,387)	(68,491)	(105,712)	(64,594)
Other payments		(84,297)	(70,940)	(80,018)	(67,242)
Net cash flow from operating profits before changes in operating assets and liabilities		194,476	216,760	187,375	204,348
(Increase) decrease in operating assets					
(Increase) decrease in loans to credit and financial institutions		217,974	(222,618)	196,679	27,988
(Increase) in loans granted		(2,475,206)	(2,867,744)	(2,475,083)	(2,867,867)
(Purchase) of trading securities		(185,073)	(25,632)	(185,073)	(25,632)
Proceeds from trading securities		127,741	46,513	127,741	46,513
(Increase) decrease in other short-term assets		(143,870)	(307,016)	(7,635)	(6,102)
Change in operating assets		(2,458,434)	(3,376,497)	(2,343,371)	(2,825,100)
Increase (decrease) in liabilities:					
Increase (decrease) in liabilities to credit and financial institutions		2,421,014	1,052,938	2,443,255	1,064,040
Increase (decrease) in deposits		(423,502)	1,122,263	(423,113)	1,122,272
Increase (decrease) in other liabilities		(10,656)	(16,331)	(938)	(23,208)
Change in liabilities		1,986,856	2,158,870	2,019,204	2,163,104
Income tax paid		(22,441)	(10,348)	(21,991)	(9,433)
Net cash flow from (to) operating activities		(299,543)	(1,011,215)	(158,783)	(467,081)
Investing activities					
Acquisition of property, plant, equipment and intangible assets		(16,983)	(41,288)	(12,933)	(25,854)
Disposal of property, plant, equipment and intangible assets		6,594	3,814	960	1,039
Purchase of available for sale securities		(13,498)	(309,393)	(10,423)	(303,342)
Proceeds from available for sale securities		123,876	120,349	122,876	109,678
Purchase of securities designated at fair value through profit or loss		(292,121)	-	(292,121)	-
Proceeds from securities designated at fair value through profit or loss		2,942	-	2,942	-
Dividends received		6	3	493	1,313
Interest received		34,688	24,427	34,631	24,392
Investment in subsidiaries (acquired)		-	-	(20,071)	(1,000)
Net cash flow to investing activities		(154,496)	(202,088)	(173,646)	(193,774)

The accounting policies and notes on pages 68 to 140 are an integral part of these financial statements.

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

GROUP AND BANK CASH FLOW STATEMENT (continued)

	Notes	Group 2008	Group 2007	Bank 2008	Bank 2007
Financing activities					
Own debt securities redemption		(1,319,257)	(968,509)	(1,319,257)	(968,509)
Own debt securities issued		1,438,855	1,457,633	1,438,855	1,457,633
Increase in share capital		146,267	164,903	146,267	164,903
Received subordinated loans		141,565	63,876	141,565	63,876
Interest paid		(57,612)	(35,781)	(57,612)	(35,781)
Received loans		224,432	552,448	-	-
Repaid loans		(103,584)	-	-	-
Net cash flow from financing activities		470,666	1,234,570	349,818	682,122
Net increase in cash and cash equivalents		16,627	21,267	17,389	21,267
Net foreign exchange difference		358	7,690	(405)	7,690
Cash and cash equivalents at beginning of year		534,972	506,015	534,969	506,012
Cash and cash equivalents at 31 December	32	551,957	534,972	551,953	534,969

The accounting policies and notes on pages 68 to 140 are an integral part of these financial statements.

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

GENERAL BACKGROUND

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

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

As at 31 December 2008 the Bank owned the following subsidiaries:

- U*AB DnB NORD Lizingas* (leasing activities),
- UAB DnB NORD Investicijų Valdymas (investment asset management activities),
- U*AB DnB NORD Būstas* (real estate brokerage).

As at 31 December 2008 the Bank owned 100% of the share capital of the U*AB DnB NORD Lizingas*, UAB DnB NORD Investicijų Valdymas and U*AB DnB NORD Būstas*. The Bank is the sole shareholder of these companies from their establishment. As at 31 December 2008 *AB DnB NORD Bankas Group* (hereinafter referred to as "the Group") in Lithuania consisted of *AB DnB NORD Bankas* and its subsidiaries UAB DnB NORD Investicijų Valdymas, U*AB DnB NORD Lizingas* and U*AB DnB NORD Būstas*.

The head offices of the Bank and subsidiary UAB DnB NORD Investicijų Valdymas are located in Vilnius, Basanavičiaus str. 26, the head office of U*AB DnB NORD Lizingas* is located in Vilnius, Žalgirio str. 92, the head office of U*AB DnB NORD Būstas* is located in Vilnius, Karmelitų str. 3. At the end of the reporting period the Bank had 84 client service outlets (2007: 80 client service outlets) of which 18 customer service branches and 66 customer service subbranches. As at 31 December 2008 the Bank had 1,229 employees (2007: 1,162 employees). As at 31 December 2008 the Group had 1,312 employees (2007: 1,223 employees).

As at 31 December 2008 all 5,139,120 number of the ordinary registered Bank's shares are admitted to the Additional Trading List on Vilnius Stock Exchange. As disclosed in Note 28, Share capital, Bank DnB NORD A/S (DK) is the single largest shareholder holding 93.68 % of the Bank's shares. The Bank DnB NORD, registered in Denmark, is a joint venture of Norwegian largest Bank DnB NOR (51%), the Ultimate parent of *AB DnB NORD Bankas*, and the German Bank Norddeutsche Landesbank (NORD/LB)(49%).

ACCOUNTING POLICIES

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

Basis of preparation of financial statements

The financial statements of the Group and the Bank are prepared in accordance with International Financial Reporting Standards effective as of 31 December 2008 that have been adopted for use in European Union. The financial statements are prepared on a historical cost basis, except for of available-for-sale investment securities, securities designated at fair value through profit or loss, financial assets and financial liabilities held for trading and all derivative financial instruments, that have been measured at fair value.

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

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

Standarts, amendments and interpretations effective in 2008:

- - Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 Financial Instruments: *Disclosures – Reclassification* of Financial Assets;
- - IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions.*
- - IFRIC 12 *Service Concession Arrangements*
- - IFRIC 14, IAS 19 – *The limit on defined Benefit Asset, Minimum Funding Requirement and their Interaction.*

The principal effects of these changes are as follows:

Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets
Through these amendments the IASB implemented additional options for reclassification of certain financial instruments categorised as held-for-trading or available-for-sale under specified circumstances. Related disclosures were added to IFRS 7. The Group did not reclassify assets under this amendment.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. The Group has not issued instruments caught by this interpretation.

IFRIC 12 Service Concession Arrangements. This interpretation had no impact on Group's financial statements.

IFRIC 14, IAS 19 – The limit on defined Benefit Asset, Minimum Funding Requirement and their Interaction. This interpretation had no impact on Group's financial statements

Standards issued but not yet effective

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

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).
The amendment to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. These amendments are not relevant to the Group.

Besides, a new version of IFRS 1 was issued in November 2008. It retains the substance of the previous version, but within a changed structure and replaces the previous version of IFRS 1 (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Amendment to IFRS 2 Share-based Payment (effective for financial years beginning on or after 1 January 2009).
The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).
Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. Group does not expect these amedments will have significant effect to the Group`s financial statements.

IFRS 8 Operating Segments (effective for financial years beginning on or after 1 January 2009).
The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 Segment Reporting. The Group expects that the operating segments determined in accordance with IFRS 8 will not materially differ from the business segments previously identified under IAS 14.

Amendment to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2009).
This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Group is still evaluating whether it will present all items of recognised income and expense in one single statement or in two linked statements.

ACCOUNTING POLICIES (continued)

Amendment to IAS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009).
The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).
The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

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

Improvements to IFRSs
In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Group anticipates that these amendments to standards will have no material effect on the financial statements.

- IFRS 7 *Financial Instruments: Disclosures.* Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 1 *Presentation of Financial Statements.* Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Errors.* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 *Events after the Reporting Period.* Clarification that dividends declared after the end of the reporting period are not obligations.
- IAS 16 *Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell".
- IAS 18 *Revenue.* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 19 *Employee Benefits*. Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.
- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*. Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- IAS 23 *Borrowing Costs*. The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 27 Consolidated and Separate Financial Statements. When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- IAS 28 *Investment in Associates*. If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- IAS 29 *Financial Reporting in Hyperinflationary Economies*. Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- IAS 31 *Interest in Joint ventures*: If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- IAS 34 *Interim Financial Reporting*. Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

ACCOUNTING POLICIES (continued)

- IAS 36 *Impairment of Assets.* When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- IAS 38 *Intangible Assets.* Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- IAS 39 *Financial Instruments: Recognition and Measurement.* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- IAS 40 *Investment Property.* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- IAS 41 *Agriculture. Removed* the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'.

IFRIC 12 Service Concession Arrangements (effective once adopted by the EU).
This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 13 Customer Loyalty Programmes (effective for financial years beginning on or after 1 July 2008).
This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. This interpretation will have no impact on the financial position or performance of the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2009).
This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. The Group does not have defined benefit plans, therefore, the interpretation will have no impact on the financial position or performance of the Group.

IFRIC 15 Agreement for the Construction of Real Estate (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).
The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. This interpretation is not relevant to the Group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for financial years beginning on or after 1 October 2008 once adopted by the EU).
The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 will not have an impact on the consolidated financial statements because the Group does not have hedges of net investments.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).
The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. This interpretation is not relevant to the Group.

Use of estimates in the preparation of financial statements

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

ACCOUNTING POLICIES (continued)

Impairment losses on loans

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

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with 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.

Fair value of financial assets

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

Deferred tax asset

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

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

Consolidation

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

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

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

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

Foreign currency translation

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

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

ACCOUNTING POLICIES (continued)

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

Recognition of income and expenses

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

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

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

Dividend income

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

Taxation

Income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 15% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation. Income tax rate valid for 2007 was 18%.

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

Atidėtas mokestis, tenkantis skirtų parduoti vertybinių popierių perkainavimui, kuris apskaitomas per nuosavybę, taip pat yra apskaitomas per nuosavybę ir vėliau kartu su atidėtu pelnu ar nuostoliu pripažįstamas pelno (nuostolių) ataskaitoje.

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

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

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

ACCOUNTING POLICIES (continued)

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

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

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

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

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

Financial assets designated at fair value through profit or loss

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES (continued)

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

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

Securities available for sale

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

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

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

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

Reverse repurchase agreements

The securities purchased under agreements to resell are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

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

Loans

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

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

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

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

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

- Delinquency in contractual payments of principal or interest;
- Significant financial difficulties of the borrower or issuer;
- Due to economic or legal reasons pertaining to financial difficulties of the borrower the latter benefits from allowance, which otherwise would not be granted by the Bank;
- Initiation of bankruptcy or reorganisation process against the borrower or issuer;

ACCOUNTING POLICIES (continued)

- Cessation of the active market of debt securities caused by financial difficulties;
- Breach of loan covenants or conditions;
- Default on obligations by connected persons of the borrower;
- Suspension or revocation of the license held by the borrower or issuer engaged in licensed activity (production and sales of alcoholic beverages, trade in oil products, medical, educational and training practice, sale of electricity to free consumers, etc.);
- Deterioration in the value of collateral.

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

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

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

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

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

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due.

Derecognition of financial assets and liabilities

<u>Financial assets</u>

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

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

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

Financial liabilities

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

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

Intangible assets

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

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

Property, plant and equipment

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

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

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

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

Leases

Group company is the lessee

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

Group company is the lessor

Operating leases

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

Finance leases

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

Assets / funds under management and related liabilities

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

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

Debt issued and other borrowed funds

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

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

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

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

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

Employee benefits

Social security contributions

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

Termination benefits

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

Segment reporting

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

Provisions

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

Financial guarantees and credit-related commitments

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

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

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

Share issue costs

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

Fair value of assets and liabilities

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

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

38% of Group's bond portfolio has been revaluated which has increased the value of bonds by LTL 19,5 million compared to observable market prices. All other bonds are validated by using market rates since the markets for these papers are considered as active. The breakdown of securities measured by using market prices and using valuation techniques are disclosed in Notes 13;14 and 16.

ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Comparatives
Where necessary, comparative figures for 2007 have been reclassified to conform with changes for better presentation in the current year:
- lease hold improvement in amount of LTL 4,048 thousand was reclassified from other assets to property, plant and equipment,
- special and lending funds (LTL 15,824 thousand) are reported together with due to customers,
- balances of customer's accounts (LTL 22,121 thousand) for transactions with securities reclassified from other liabilities to due to customers,
- expenses for insurance of deposits (LTL 16,881 thousand) in income statement were reclassified from administrative and other operating expenses to interest expenses.

FINANCIAL RISK MANAGEMENT

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

In the year 2007 the Group implemented Internal Capital Adequacy Assessment Process (hereinafter referred to as 'ICAAP') and initiated application of it in 2008. ICAAP is the integral part of the Bank's governance and decision-making process, allowing the Management of the Bank to constantly assess the material risk arising from the Group's activities and the adequacy of the internal capital. The Group also put into effect the Risk management strategy which integrates all the Group's rules and procedures supporting the prudent risk management and is prepared in line with the requirements of the Bank of Lithuania as well as those established by the international DnB NORD Group.

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

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

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

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

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

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

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

During the year 2008 there were no substantial changes to the risk management processes of the Group and the Bank except for those mentioned in this document below.

1. Credit risk

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

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

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

FINANCIAL RISK MANAGEMENT (continued)

Credit risk management is an independent function from the front-office. Final approval of large and risky loans is done by a collegial body of a certain competence (Management Board or Supervisory Council of the Bank).
The Group's management bodies are kept informed on developments in credit risk assumed by means of regular reports.

1.1. Credit risk measurement

(a) Loans and advances

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

The credit risk is assessed by using customer / product segment specific scoring (application scorings for loans to private individuals) and rating instruments, which are used for homogeneous groups of customers:
- corporates,
-small and medium-sized enterprises (hereinafter referred to as "SMEs"),
-single ownership companies,
-companies starting business,
-individuals.

These instruments are constantly improved and tested for reliability following the results of the analysis of historical data on the credit risk related losses.

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

(b) Debt securities

Debt securities are in the region of 7 per cent of the total assets of the Group, therefore the credit risk arising from them is considered as being immaterial. Credit risk exposures are managed by carrying out borrower analysis when decision for acquisition of securities is made. Ratings of external rating agencies as well as internal ratings assigned by the parent Bank DnB NOR in case the borrower is a bank are important factors in decision making. The concentration risk arising from debt securities portfolio is analysed and monitored on a regular basis as well.

1.2. Risk limit control and mitigation policies

(a) Concentration risk

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

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

In 2008, the loan portfolio of the Group was well diversified by industries.

The Group follows the conservative risk management policy and uses the 10% "hair-cut" from the following legally allowable limits imposed on:
- Maximum exposure to a single borrower (Note 37);
- Large exposures (Note 37);
- Lending to Bank related parties (Note 36).

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

(b) Collateral

The Group mitigates credit risk through taking of security for funds advances. Types of collateral considered by the Group as the most acceptable for loans and advances are the following:

- Real estate (mainly residential properties, commercial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities).

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

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

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

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

(c) Derivative financial instruments

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

(d) Credit-related commitments

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

1.3. Impairment policies

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

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

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

In the year 2008 the Group updated methodology for calculation of the collectively impaired loans including estimation of the impaired loans for which the impairment losses are not identified. The extended methodology enables the Group to assess the possible impairment of loans and advances at an earlier stage. The objective evidence that the group of assets is impaired collectively is either a deteriorating economic conditions for particular economic sectors or delinquency in payments, therefore calculation methodology relies on historical data about the payments and loan impairment losses analysed by client's economic activity.

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

FINANCIAL RISK MANAGEMENT (continued)

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

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

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

	Group		Bank	
	2008	2007	2008	2007
Credit risk exposures relating to on-balance sheet assets are as follows:				
Cash and balances with central banks	**484,359**	**475,595**	**484,355**	**475,592**
Due from banks	**203,480**	**327,329**	**202,434**	**327,328**
Loans and advances to customers:	**11,179,610**	**8,810,217**	**11,260,940**	**8,869,160**
Loans and advances to financial institutions	**45,970**	**130,557**	**127,300**	**189,377**
Loans to individuals (retail):	**5,146,398**	**4,182,851**	**5,146,398**	**4,182,851**
- Consumer loans	609,992	560,274	609,992	560,274
- Mortgages	3,902,066	3,075,871	3,902,066	3,075,871
- Loans secured by equity linked bonds issued by Bank	596,261	512,628	596,261	512,628
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)	38,079	34,078	38,079	34,078
Loans to business customers:	**5,987,242**	**4,496,809**	**5,987,242**	**4,496,932**
- Public authorities, state and municipal entities	169,747	139,682	169,747	139,682
- Large corporates	2,931,126	2,061,373	2,931,126	2,061,373
- SMEs	2,538,602	2,014,618	2,538,602	2,014,741
- Farmers	339,263	273,190	339,263	273,190
- Other	8,504	7,946	8,504	7,946
Finance lease receivables	**901,735**	**754,338**	**-**	**-**
- Individuals	59,560	35,995	-	-
- Business customers	842,175	718,343	-	-
Trading assets:	**58,807**	**3,214**	**58,807**	**3,214**
- Debt securities	58,796	3,111	58,796	3,111
- Equity securities	11	103	11	103
Securities designated at fair value throught profit or loss	**295,944**	**-**	**295,944**	**-**
- Debt securities	295,944	-	295,944	-
Derivative financial instruments	**40,696**	**98,821**	**40,696**	**98,821**
Securities available for sale	**609,034**	**727,073**	**606,270**	**725,863**
- Debt securities	607,432	726,443	605,426	725,552
- Equity securities	1,602	630	844	311
Credit risk exposures relating to off –balance sheet items are as follows:	**1,569,433**	**2,072,735**	**2,732,790**	**2,479,204**
- Financial guarantees	229,863	165,503	834,995	666,272
- Loan commitments and other credit related liabilities	1,339,570	1,907,232	1,897,795	1,812,932
December 31	**15,343,098**	**13,269,322**	**15,682,236**	**12,979,182**

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

FINANCIAL RISK MANAGEMENT (continued)

The table above represents a worst case scenario of credit risk exposure at 31 December 2008 and 2007, without taking into account any credit risk mitigation techniques. On-balance sheet assets are reported above based on net carrying amounts as they appear in the balance sheet.

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

Loans and advances to banks and customers account for 74 % of the total maximum exposure of the Group (2007: 69%) and for 73% of the total maximum exposure of the Bank (2007: 71%).

Management is confident in its ability to control and sustain minimal exposure of credit risk to the Group:

- As the economy is slowing, good quality of the portfolio of loans and advances to customers has deteriorated acceptably in terms of the ratio of impairment losses to the Group's portfolio, which in 2006 and 2007 stood at 0.60% and 0.62% respectively whereas in 2008 it was 1.0%;
- Mortgage loans and ~2/3 of loans and advances to business customers are secured by collateral (see paragraph 1.5(e) for more detailed information on collateralization);
- The Group has introduced more stringent standards for granting of loans and advances and improved its scorings and rating tools helping in decision making and monitoring, enabling better pricing of risk.

1.5. Loans and advances

Loans and advances are summarized as follows:

Group

	31 December			
	2008		2007	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	8,766,455	203,480	7,242,675	327,329
Past due but not impaired	2,075,320	-	1,429,837	-
Impaired	452,358	-	192,443	-
Gross	**11,294,133**	**203,480**	**8,864,955**	**327,329**
Less: allowance for impairment	(114,523)	-	(54,738)	-
Net	**11,179,610**	**203,480**	**8,810,217**	**327,329**

Bank

	31 December			
	2008		2007	
	Loans and advances to customers	Due from banks	Loans and advances to customers	Due from banks
Neither past due nor impaired	8,847,785	202,434	7,301,618	327,328
Past due but not impaired	2,075,320	-	1,429,837	-
Impaired	452,358	-	192,443	-
Gross	**11,375,463**	**202,434**	**8,923,898**	**327,328**
Less: allowance for impairment	(114,523)	-	(54,738)	-
Net	**11,260,940**	**202,434**	**8,869,160**	**327,328**

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

Impaired loans and advances means loans and advances that have allowances for impairment.

During the year ended 31 December 2008, the Group's total loans and advances increased by 25%. The Group's total impairment provision for loans and advances is LTL 114,523 thousand (2007: LTL 54,738 thousand) and it accounts for 1.0% of the respective portfolio (2007: 0.62%). The Group's impaired loans and advances to customers make up 4.01% of the respective portfolio (2007: 2.17%).

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

FINANCIAL RISK MANAGEMENT (continued)

a) Loans and advances neither past due nor impaired

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

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

Loans to individuals are assessed based on application scorings when decision is made. After the loans are granted they are monitored based on their past due status. All loans to individuals, which are neither past due nor impaired are considered as standard loans from credit risk management view.

Credit quality of loans to business customers is disclosed in the tables below.

31 December 2008

	Bank loans to customers		
	Business customers	Individual customers	Total
Low risk	1,984,596	-	1,984,596
Moderate risk	1,761,147	-	1,761,147
High risk	53,039	-	53,039
Not classified	899,119	4,025,604	4,924,723
Total	**4,697,901**	**4,025,604**	**8,723,505**

31 December 2007

	Bank loans to customers		
	Business customers	Individual customers	Total
Low risk	1,918,050	-	1,918,050
Moderate risk	808,349	-	808,349
High risk	74,644	-	74,644
Not classified	918,920	3,392,277	4,311,197
Total	**3,719,963**	**3,392,277**	**7,112,240**

b) Loans and advances past due but not impaired

Gross amount of loans and advances are reported in the tables below. At 31 December 2008 and 2007 there were no past due but not impaired loans in category “Loans and advances to banks” neither at Bank nor at the Group level.

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

31 December 2008

	Group and Bank loans to customers		
	Business customers	Individual customers	Total
Past due up to 3 days	893,317	665,422	1,558,739
Past due 4- 40 days	154,652	223,637	378,289
Past due 41-90 days	38,138	31,771	69,909
Past due more than 90 days	28,854	39,529	68,383
Total	**1,114,961**	**960,359**	**2,075,320**
Value of risk mitigation measures	940,549	844,273	1,784,822

FINANCIAL RISK MANAGEMENT (continued)

31 December 2007

	Group and Bank loans to customers		
	Business customers	Individual customers	Total
Past due up to 3 days	636,133	590,309	1,226,442
Past due 4- 40 days	63,473	112,226	175,699
Past due 41-90 days	14,992	3,424	18,416
Past due more than 90 days	4,842	4,438	9,280
Total	**719,440**	**710,397**	**1,429,837**
Value of risk mitigation measures	500,732	615,996	1,116,728

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

d) Impaired loans and advances

Accrued interest income for individually impaired loans and advances to customers amount to LTL 2,913 thousand as of December 31, 2008 (2007: LTL 1,217 thousand).

There are no individually impaired loans and advances to banks and financial institutions neither at Bank nor at the Group level as of December 31, 2008 and 2007.

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

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

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

	Group and Bank loans		
	Business customers	Individual customers	Total
31 December 2008			
Individually assessed impaired loans	238,558	84,688	323,246
Value of collateral	218,793	72,473	291,266
31 December 2007			
Individually assessed impaired loans	116,280	22,553	138,833
Value of collateral	105,864	17,052	122,916

d) Renegotiated loans and advances

The amount of the renegotiated loans before they became past due at the end of the year 2008 is LTL 4,897 thousand.

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

FINANCIAL RISK MANAGEMENT (continued)

e) Information about collaterals of loans

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding types of collateral. Market values (or purchase price, depending which is lower) are used for real estate and movable assets serving as collateral. In subsequent periods, the fair value of collateral is updated when exposure becomes individually impaired or regular monitoring of material credit risk related exposures indicates possibility of significant changes in collateral value.

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

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

The most commonly used type of collateral is the other real estate (mostly commercial) comprising 42% of the secured part of the Group's loan portfolio (2007: 43%).
The Bank acknowledges the risk arising from this type of the collateral and in the accounting period has taken measures as to limit the concentration of real estate serving as the main type of the credit risk mitigant.

31 December 2008

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

31 December 2007

	Group and Bank loans to individuals (retail)	%	Group loans to business customers	%	Bank loans to business customers	%
Unsecured loans	**653,339**	**16%**	**1,539,753**	**34%**	**1,539,876**	**34%**
Loans collateralized by:	**3,537,920**	**84%**	**3,003,386**	**66%**	**3,003,386**	**66%**
- residential real estate	1,983,089	47%	209,178	5%	209,178	5%
- other real estate	587,481	14%	2,203,226	48%	2,203,226	48%
- securities	522,668	12%	156,371	3%	156,371	3%
- guarantees	444,598	11%	157,755	3%	157,755	3%
- other assets	84	0%	276,856	6%	276,856	6%
Total	**4,191,259**	**100**	**4,543,139**	**100**	**4,543,262**	**100**

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

FINANCIAL RISK MANAGEMENT (continued)

1.6. Finance lease receivables

Finance lease receivables are summarized as follows:

	2008			2007		
	Individuals	Business customers	Total	Individuals	Business customers	Total
Neither past due nor impaired	48,731	498,089	546,820	31,382	609,374	640,756
Past due but not impaired	8,067	201,281	209,348	3,228	88,759	91,987
Impaired	2,884	171,631	174,515	1,438	22,121	23,559
Gross	**59,682**	**871,001**	**930,683**	**36,048**	**720,254**	**756,302**
Less: allowance for impairment	(122)	(28,826)	(28,948)	(53)	(1,911)	(1,964)
Net	**59,560**	**842,175**	**901,735**	**35,995**	**718,343**	**754,338**

During the year ended 31 December 2008, finance lease receivables portfolio increased by 20%. Total impairment provision for finance lease receivables is LTL 28,948 thousand (2007: LTL 1,964 thousand) and it accounts for 3,11% of the respective portfolio (2007: 0.26%).

1.7. Exposures rated by ECAI

Table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2008 based on Moody's ratings or their equivalent.

Group

Rating	Trading securities		Securities available for sale		Securities designated at fair value through profit or loss		Total
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	67,944	-	85,899	-	153,843
From Aa3 to Aa1	-	-	408,867	-	-	-	408,867
From A3 to A1	577	53,552	113,138	925	210,045	-	378,237
From Baa1 to Ba3	4,667	-	16,558	-	-	-	21,225
Total	**5,244**	**53,552**	**606,507**	**925**	**295,944**	**-**	**962,172**

Bank

Rating	Trading securities		Securities available for sale		Securities designated at fair value through profit or loss		Total
	Bonds	T-Bills	Bonds	T-Bills	Bonds	T-Bills	
Aaa	-	-	67,944	-	85,899	-	153,843
From Aa3 to Aa1	-	-	408,867	-	-	-	408,867
From A3 to A1	577	53,552	112,058	-	210,045	-	376,232
From Baa1 to Ba3	4,667	-	16,557	-	-	-	21,224
Total	**5,244**	**53,552**	**605,426**	**-**	**295,944**	**-**	**960,166**

1.8. Repossessed assets

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

Nature of assets	Carrying amount			
	Group		Bank	
	2008	2007	2008	2007
Property	620	201	620	201
Total	620	201	620	201

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

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

FINANCIAL RISK MANAGEMENT (continued)

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

Industry sectors

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

Group

	Financial interme-diation	Agri-culture, hunting, forestry, fishing	Manufac-turing	Electri-city, gas, water supply	Cons-truction	Wholesale and retail trade	Transport, storage, communi-cation	Real estate activities	Public sector	Other industries	Private individuals	Not attribu-ted	Total
Neither past due nor impaired	44,054	471,326	1,090,181	110,734	257,085	934,351	417,213	971,523	166,475	767,419	4,074,334	8,580	9,313,275
Past due but not impaired	3,094	214,308	185,567	18,912	94,082	151,996	74,589	435,229	12,232	126,233	968,426		2,284,668
Impaired	0	29,157	84,893	106	23,938	36,166	135,595	97,597	163	30,727	188,531	0	626,873
Value adjustments and provisions	0	(4,367)	(37,113)	(11)	(4,729)	(8,212)	(22,232)	(28,623)	(7)	(4,908)	(25,333)	(7,936)	(143,471)
Charges for value adjustments and provisions during the reporting period	0	(2,362)	(5,232)	(9)	3,873	(5,760)	(21,271)	(28,597)	(6)	(2,632)	(16,899)	(7,875)	(86,769)
Total at 31 December 2008	47,148	710,424	1,323,528	129,741	370,376	1,114,301	605,165	1,475,726	178,863	919,471	5,205,958	644	12,081,345
Total at 31 December 2007	131,198	462,377	842,755	129,265	370,885	853,927	189,289	1,060,988	157,632	1,139,447	4,218,846	7,946	9,564,555

Bank

	Financial interme-diation	Agri-culture, hunting, forestry, fishing	Manufac-turing	Electri-city, gas, water supply	Cons-truction	Wholesale and retail trade	Transport, storage, communi-cation	Real estate activities	Public sector	Other industries	Private individuals	Not attribu-ted	Total
Neither past-due nor impaired	124,281	407,251	1,010,453	109,503	200,296	852,968	280,210	941,471	158,424	728,744	4,025,603	8,581	8,847,785
Past due but not im-paired	3,019	192,180	172,632	18,912	75,342	115,434	23,483	420,441	11,323	82,195	960,359	-	2,075,320
Impaired	-	21,389	64,664	-	20,615	25,404	23,585	94,302	-	16,752	185,647	-	452,358
Value adjustments and provisions	-	(3,622)	(31,999)	-	(4,530)	(6,921)	(4,116)	(28,584)	-	(2,704)	(25,211)	(6,836)	(114,523)
Charges for value adjustments and provi-sions during the repor-ting period	-	(1,717)	(506)	2	4,047	(4,922)	(4,055)	(28,573)	-	(483)	(16,804)	(6,774)	(59,785)
Total at 31 December 2008	127,300	617,198	1,215,750	128,415	291,723	986,885	323,162	1,427,630	169,747	824,987	5,146,398	1,745	11,260,940
Total at 31 December 2007	189,377	462,377	749,867	129,265	370,885	753,455	189,289	1,015,488	139,682	678,678	4,182,851	7,946	8,869,160

2. Market risk

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

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

2.1 Market risk measurement techniques

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

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

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

2.2. Foreign exchange risk

Note 34 reveals that the Group has exposure to EUR, exposures to other currencies are not significant. The Group follows a very conservative approach to foreign exchange risk and limits EUR position with the limit set by the ALCO of international DnB NORD Group.

Sensitivity of FX risk

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

FX	Reasonable shift
LVL	1,5%
PLN	2,5%
DKK	2,5%
USD	2,5%
EEK	2,5%
Other currencies	5,0%

The presumable FX rate change creates acceptable impact on Bank's and Group's annual profit as well as equity and makes LTL 266 thousand in 2008 (2007: LTL 190 thousand) higher/lower impact on profit.

The Bank's exposure to foreign currency exchange rate risk is summarised in Note 34.

2.3. Interest rate risk

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

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

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

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

FINANCIAL RISK MANAGEMENT (continued)

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

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

The Group's exposure to interest rate risk as of 31 December 2007 (basis point value):

Risk	Bank	DnB NORD lizingas	DnB NORD investiciju valdymas	Elimination effect	Consolidated
LTL	(84.6)	0.1	(0.2)	0.5	(84.2)
EUR	61.9	(9.6)	-	(0.1)	52.2
USD	0.8	-	-	0.6	1.4

The Bank's interest rate gap analysis is summarized in Note 35.

Sensitivity of interest rate risk

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

Reasonable annual shift in bp	LTL	EUR	USD
2008	100	50	50
2007	100	50	50

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

Impact on P&L and Equity:

Year	Equity		P&L
	Group	Bank	
2008	9,526	9,588	5,222
2007	5,880	5,420	1,590

2.4 Equity risk

The Group has insignificant exposure to equity risk The equity exposure mainly consists of Baltic list stocks. The overnight equity position is limited by ALCO of the international DnB NORD Group, stop-loss limit is also in place. The positions and limit usage are monitored daily.

Sensitivity of equity risk

Equity exposure cannot exceed overnight limit. Assuming a reasonable price decrease for a maximum possible equity position the possible impact on P&L and equity is presented below:

Reasonable price change	Limit	Possible impact on P&L
35%	1,000	350

Average limit usage during 2008 was below 10%. Therefore actual equity risk was significantly lower.

3. Liquidity risk

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

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

FINANCIAL RISK MANAGEMENT (continued)

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

3.1 Liquidity risk management process

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

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

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

	31 December 2008		31 December 2007	
	1 week	1 month	1 week	1 month
Liquidity gap	227.8	(652.2)	399.8	(202.7)
Limit	(776.9)	(776.9)	(690.6)	(690.6)

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

	31 December 2008	31 December 2007
Funding ratio	0.91	0.97

Note 33 analyzes assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date as well as the liquidity ratio requirement set by the Bank of Lithuania.

3.2. Funding approach

After joining the international DnB NORD Group, the bank has a possibility of attracting funding at minimum cost. The parent Banks DnB NOR (counterparty credit rating being AA-/Negative/A-1+ (Standard & Poor's) provided 14 April, 2008) and NORD/LB (counterparty credit rating being A/Negative/A-1 (Standard & Poor's) provided 24 July, 2007) are the lenders of last resort and provide the financing for the Bank in the cases of faltered liquidity.

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

FINANCIAL RISK MANAGEMENT (continued)

3.3. Non – derivative cash flows

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

Group

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

Bank

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

Group

31 December 2007 Liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	263,424	995,713	1,538,686	2,392,151	64,139	5,254,113
Due to customers	3,309,067	353,200	534,502	61,562	4,207	4,262,538
Debt securities in issue	60,539	132,244	146,278	827,553	-	1,166,614
Subordinated loans	1,302	1,379	11,481	56,463	306,585	377,210
Other financial liabilities	75,363	144	649	2,000	86	78,242
Total liabilities (contractual maturity dates)	3,709,695	1,482,680	2,231,596	3,339,729	375,017	11,138,717

Bank

31 December 2007 Liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Due to banks	260,913	741,767	1,418,672	1,953,795	64,139	4,939,286
Due to customers	3,323,507	353,200	534,502	61,562	4,207	4,276,978
Debt securities in issue	60,539	132,244	146,278	827,553	-	1,166,614
Subordinated loans	1,302	1,379	11,481	56,463	306,585	377,210
Other financial liabilities	53,692	-	-	-	-	53,692
Total liabilities (contractual maturity dates)	3,699,953	1,228,590	2,110,933	2,899,373	374,931	10,313,780

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

FINANCIAL RISK MANAGEMENT (continued)

3.4. Derivative cash flows

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

a) Derivatives settled on a net basis

31 December 2008	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivatives held for trading						
- Interest rate derivatives	12,346	4,373	55,519	77,119	7,248	156,605
- Equity derivatives	7,225	-	-	-	-	7,225
- Commodity derivatives	798	-	-	-	-	798
Total	20,369	4,373	55,519	77,119	7,248	164,628

31 December 2007	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivatives held for trading						
- Interest rate derivatives	358	10,394	26,241	22,666	-	59,659
- Equity derivatives	85,888	-	-	-	-	85,888
- Commodity derivatives	2,471	-	-	-	-	2,471
Total	88,717	10,394	26,241	22,666	-	148,018

b) Derivatives settled on a gross basis

31 December 2008

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

Bank

31 December 2008

Derivatives held for trading	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Foreign exchange derivatives					
Outflow	1,395,343	248,125	150,162	14,853	1,808,483
Inflow	1,394,139	249,171	150,602	15,008	1,808,920
Total outflow	1,395,343	248,125	150,162	14,853	1,808,483
Total inflow	1,394,139	249,171	150,602	15,008	1,808,920

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

FINANCIAL RISK MANAGEMENT (continued)

3.5. Off - balance sheet items

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

Group

At 31 December 2008	Up to one year	From 1 to 5 years	Over 5 years	Total
Guarantees	126,063	101,703	2,097	229,863
Letters of credit	19,330	3,737	-	23,067
Loan commitments	955,476	306,796	-	1,262,272
Finance lease commitments	38,613	-	-	38,613
Operating lease commitments	1,020	3,906	-	4,926
Other commitments	6,143	3,115	-	9,258
Total	1,146,645	419,257	2,097	1,567,999

At 31 December 2007				
Guarantees	61,304	102,231	1,968	165,503
Letters of credit	14,655	863	-	15,518
Loan commitments	883,631	869,185	838	1,753,654
Finance lease commitments	116,213	-	-	116,213
Operating lease commitments	1,019	4,077	849	5,945
Other commitments	10,441	830	1,126	12,397
Total	1,087,263	977,186	4,781	2,069,230

Bank

At 31 December 2008	Up to one year	From 1 to 5 years	Over 5 years	Total
Guarantees	180,398	652,500	2,097	834,995
Letters of credit	19,330	3,737	-	23,067
Loan commitments	955,480	908,651	-	1,864,131
Operating lease commitments	1,235	4,394	-	5,629
Other commitments	419	3,115	-	3,534
Total	1,156,862	1,572,397	2,097	2,731,356

At 31 December 2007				
Guarantees	303,113	361,191	1,968	666,272
Letters of credit	14,655	863	-	15,518
Loan commitments	896,283	869,185	19,773	1,785,241
Operating lease commitments	1,044	4,154	849	6,047
Other commitments	664	831	1,126	2,621
Total	1,215,759	1,236,224	23,716	2,475,699

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

FINANCIAL RISK MANAGEMENT (continued)

4. Fair value of financial assets and liabilities

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

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

	Group		Bank	
As at 31 December 2007	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Assets				
Loans and advances to customers of which:	8,810,217	8,037,847	8,869,160	8,156,139
-Loans to individuals	4,182,851	3,816,151	4,182,851	3,846,578
-Loans to business customers	4,496,809	4,102,585	4,496,932	4,135,409
-Loans and advances to financial institutions	130,557	119,111	189,377	174,152
Finance lease receivables of which:	754,338	688,207	-	-
-Individuals	35,995	32,839	-	-
-Business customers	718,343	655,368	-	-
Liabilities				
Due to banks	4,943,502	4,947,694	4,172,686	4,179,982
Due to customers	4,249,598	4,261,752	4,264,038	4,261,752
Debt securities in issue	1,116,124	1,052,177	1,116,124	1,052,177
Subordinated loans	263,570	264,843	263,570	264,843

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

5. Operational Risk

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

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

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

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

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

In 2008 the Group continued to develop the operational risk management and control systems. The operational risk reporting system was extended: besides reporting to the Management Board the reporting to the managers of the Bank's business units was established. In addition, the procedure regarding the operational risk management decisions was built. In December 2008 the Bank performed a comprehensive self-assessment at the Bank level (encompassing all of the main Bank's activities).

6. Stress tests

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

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

7. Capital management

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

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

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

Additional capital need for credit, operational, market and liquidity risk is subject to the regular stress-testing.
The Group's regulatory capital is divided into two tiers:

1) Tier 1 capital consists of the ordinary shares, share premium, mandatory reserve, retained earnings of the previous financial year, prescribed percentage of the audited profit of current financial year, negative revaluation reserve of financial assets and less the intangible assets and part of investments to financial institutions,
2) Tier 2 capital consists of subordinated loans, other reserves and less part of investments to financial institutions.

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group for the years ended 31 December. *AB DnB NORD Bankas* will maintain at least 10 percent capital adequacy ratio for a year starting 30 September 2008 with regard to Resolution No.114 (dated 24 July, 2008) of the Board of the Bank of Lithuania. During 2007 and 2008, the Group complied with capital requirements to which it is subject.

	Group		Bank	
	2008	**2007**	**2008**	**2007**
Tier 1 capital	926,968	614,756	924,280	611,080
Tier 2 capital	392,609	262,717	389,819	259,768
Total capital	1,319,577	877,473	1,314,099	870,848
Capital ratio, %	**11.73**	**9.38**	**11.61**	**9.90**

It should be noted that the capital ratios for the end of the year 2007 and 2008 cannot be compared reliably since the new capital requirements (Basel II) came into force from the 1 January, 2008 and from this date on the capital requirements are calculated following the new requirements.

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

FINANCIAL RISK MANAGEMENT (continued)

Capital requirements

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

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

	Group			Bank		
	Exposure net of value adjustments and provisions	Total exposure value covered by		Exposure net of value adjustments and provisions	Total exposure value covered by	
		eligible collaterals	guarantees		eligible collaterals	guarantees
Central governments or central banks	234,201	-	-	232,195	-	-
Regional governments or local authorities	182,616	-	-	182,616	-	-
Administrative bodies and non-commercial undertakings	103,486	274	348	95,656	274	348
Institutions	946,529	13,699		945,080	13,699	
Corporates	7,281,861	443,608	98,942	8,010,945	443,588	97,170
Retail	2,843,461	113,232	78,130	2,519,923	113,252	79,902
Secured on real estate property	2,890,668	2,890,668	-	2,890,815	2,890,815	-
Past due items	281,160		10,945	253,314	-	10,945
Other items	448,801		-	392,144	-	-
Total	**15,212,783**	**3,461,481**	**188,365**	**15,522,688**	**3,461,628**	**188,365**

The exposure values covered by eligible collateral are shown after application of the volatility adjustments. The Bank and the group did not have any exposures covered by credit derivatives neither in 2008 nor in 2007.

After implementation of the ICAAP the Group started to calculate the internal capital for the risks not covered or not fully covered by the Pillar I capital.
The concentration risk is assessed for asset classes exposed to credit risk and is measured by the means of Hirschman–Herfindahl index. Besides the imposed limits on lending the Group calculates the internal capital requirement for concentration risk according to the estimated risk level.

The residual risk is the risk that the Bank's and the Group's credit risk mitigation techniques will appear to be less effective than expected. Therefore the Bank assumes the increase of the risky assets due to occurrence of the residual risk which leads to the higher capital requirement.
As the regulatory capital requirement is calculated for the interest rate risk arising from the trading book, the Group additionally assesses and calculates the internal capital requirement for the interest rate risk arising from the banking book. The approach and the parameters used for this calculation are the same as the ones for evaluating the stress testing worst case scenario losses.
The parameters used for business risk evaluation are the volatility of GDP, the movements of the market credits and deposits as well as the Bank's market share movements.

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

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

SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into these main business segments: banking, leasing, investment management and real estate brokerage. Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinary reallocated between segments, resulting in funding cost transfers disclosed in operating income.

Year ended 31 December 2008

	Banking	Leasing	Investment management	Real estate brokerage	Eliminations	Group
Internal	10,497	(9,367)	(506)	123	(747)	-
External	354,974	25,004	4,131	520	(531)	384,098
Net income from the main operations	365,471	15,637	3,625	643	(1,278)	384,098
Internal	(285)	(477)	(118)	(182)	1,062	-
External	(161,685)	(5,881)	(917)	(1,696)	201	(169,978)
Operating expenses	(161,970)	(6,358)	(1,035)	(1,878)	1,263	(169,978)
Depreciation and amortisation charges	(14,227)	(4,743)	(46)	(106)	-	(19,122)
Internal	170	20	-	125	(315)	-
External	(105,618)	(24,581)	(116)	(192)	18,371	(112,136)
Net other income (expenses)	(105,448)	(24,561)	(116)	(67)	18,056	(112,136)
Profit (loss) before tax	83,826	(20,025)	2,428	(1,408)	18,041	82,862
Income tax	(13,546)	(150)	(285)	-	-	(13,981)
Change of deferred income tax	457	62	7	-	-	526
Net profit (loss)	70,737	(20,113)	2,150	(1,408)	18,041	69,407
Total assets	13,101,513	992,454	5,605	836	(142,758)	13,957,650
Total liabilities	12,157,224	990,054	608	268	(133,858)	13,014,296
Net assets (Shareholders' equity)	944,289	2,400	4,997	568	(8,900)	943,354
Capital expenditure	25,894	3,387	13	67	-	29,361

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

SEGMENT INFORMATION (continued)

Year ended 31 December 2007

	Banking	Leasing	Investment management	Real estate brokerage	Eliminations	Group
Internal	9,048	(8,302)	(654)	73	(165)	-
External	303,282	19,277	3,252	133	(1,333)	324,611
Net income from the main operations	312,330	10,975	2,598	206	(1,498)	324,611
Internal	(165)	(25)	(33)	(9)	232	-
External	(140,506)	(4,677)	(993)	(884)	23	(147,037)
Operating expenses	(140,671)	(4,702)	(1,026)	(893)	255	(147,037)
Depreciation and amortisation charges	(12,159)	(4,153)	(35)	(37)	77	(16,307)
Internal	67	-	-	-	(67)	-
External	(28,000)	(1,725)	(270)	-	(234)	(30,229)
Net other income (expenses)	(27,933)	(1,725)	(270)	-	(301)	(30,229)
Profit (loss) before tax	131,567	395	1,267	(724)	(1,467)	131,038
Income tax	(23,252)	(342)	(4)	-	-	(23,598)
Change of deferred tax	(431)	111	(203)	-	-	(523)
Net profit (loss)	107,884	164	1,060	(724)	(1,467)	106,917
Total assets	10,631,469	858,264	3,708	535	(80,770)	11,413,206
Total liabilities	9,899,641	853,635	448	259	(73,413)	10,680,570
Shareholders' equity	731,828	4,629	3,260	276	(7,357)	732,636
Capital expenditure	25,854	15,093	-	341	-	41,288

Secondary reporting format – geographical segments

Geographical concentrations of the Group assets were as follows:

	2008	2007
Lithuania	12,951,583	10,313,767
Denmark	34,053	63,241
Norway	68,904	33,281
Latvia	107,489	68,019
Germany	190,548	127,386
Luxemburg	497	260
Austria	68,651	69,578
Poland	63,183	4,131
United Kingdom	55,091	70,231
France	95,012	106,599
USA	4,003	52,056
Belgium	17,338	64,875
Holland	17,402	77,342
Other foreign countries	283,896	362,440
Total	**13,957,650**	**11,413,206**

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	Group		Bank	
	2008	2007	2008	2007
Interest income:				
on due from banks	25,228	20,480	25,189	20,480
on loans and advances to customers	685,800	444,502	690,195	448,084
on finance lease receivables	62,266	38,853	-	-
on trading securities	1,806	425	1,806	425
on securities available for sale	34,103	25,651	34,040	25,616
Total	809,203	529,911	751,230	494,605
on securities at fair value through profit or loss	8,054	-	8,054	-
Total interest income	817,257	529,911	759,284	494,605
Interest expense				
on due to banks	313,418	161,084	269,949	136,158
on deposits and other repayable funds from customers	95,509	65,206	95,530	65,222
on debt securities issued	61,715	34,694	61,715	34,694
on subordinated loans	19,584	9,806	19,584	9,806
on fees for compulsory insurance of deposits	18,484	16,894	18,471	16,881
Total interest expense	508,710	287,684	465,249	262,761
Net interest income	308,547	242,227	294,035	231,844

NOTE 2 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2008	2007	2008	2007
Fee and commission income:				
on assets under management	2,455	3,338	2,455	3,338
money transfer operations	30,664	29,346	30,745	29,402
payment cards services	18,494	14,796	18,494	14,796
securities operations	2,619	2,647	2,665	2,670
currency (EUR) exchange	9,172	6,206	9,172	6,206
trust and other fiduciary activities	4,466	3,889	575	743
guarantee commissions	2,660	1,555	7,736	5,427
commissions for intermediation	3,617	2,330	4,027	3,079
commissions for operating lease	5,660	5,518	-	-
other	6,167	4,621	6,106	4,969
Total fee and commission income	85,974	74,246	81,975	70,630
Fee and commission expense:				
money transfer operations	1,824	1,687	1,849	1,698
payment cards services	13,456	11,504	13,456	11,504
securities operations	311	385	312	374
currency (EUR) exchange	365	207	365	207
trust and other fiduciary activities	697	831	681	831
other	801	612	612	281
Total fee and commission expense	17,454	15,226	17,275	14,895
Net fee and commission income	68,520	59,020	64,700	55,735

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

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

	Group		Bank	
	2008	2007	2008	2007
Trading securities				
Debt securities:				
Realized gain (loss)	(2,830)	(38)	(2,830)	(38)
Unrealized gain (loss)	(1,900)	(124)	(1,900)	(124)
Equity securities:				
Realized gain (loss)	(228)	17	(228)	17
Unrealized gain (loss)	(1)	1	(1)	1
Net gain (loss) from trading securities	(4,959)	(144)	(4,959)	(144)
Derivative financial instruments				
Realized gain (loss)	8,145	(27)	8,145	(27)
Unrealized gain (loss)	(13,001)	(38)	(13,001)	(38)
Net gain (loss) from derivative financial instruments	(4,856)	(65)	(4,856)	(65)
Securities, available for sale (Note 29):				
Realized gain (loss) on debt securities	(1,037)	(1,329)	(1,056)	(1,329)
Realized gain (loss) on mutual funds units	-	44	-	-
Net gain (loss) from available for sale securities	(1,037)	(1,285)	(1,056)	(1,329)
Securities designated at fair value through profit or loss				
Realized gain (loss)	(30)	-	(30)	-
Unrealized gain (loss)	(3,373)	-	(3,373)	-
Net gain (loss) on securities designated at fair value through profit or loss	(3,403)	-	(3,403)	-
Realized gain (loss) from operations with debt securities issued	11,293	8,520	11,293	8,520
Net gain (loss) from trading with equity securities	34	-	34	-
Received dividends	6	3	493	1,313
Total	(2,922)	7,029	(2,454)	8,295

NOTE 4 IMPAIRMENT LOSSES AND PROVISIONS

	Group		Bank	
	2008	2007	2008	2007
Impairment losses on loans:				
Increase (decrease) of impairment losses, net (Note 17)	68,293	23,726	68,293	23,726
Recovered previously written off loans	(3,276)	(4,050)	(3,276)	(4,050)
Total impairment losses on loans	65,017	19,676	65,017	19,676
Impairment losses on finance lease receivables (Note 18)	26,316	758	-	-
Impairment losses for other assets	8,380	(241)	18,458	(550)
Expenses for provisions on:				
guarantees and other contingent liabilities	181	(54)	11,677	(54)
Total	99,894	20,139	95,152	19,072

As at 31 December 2008 based on estimated expected future cash flows, business growth and risk costs of subsidiary the Bank recognized LTL 18,371 thousand impairment loss for investment into subsidiary U*AB DnB NORD Lizingas*.

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

NOTE 5 OTHER INCOME

	Group		Bank	
	2008	2007	2008	2007
On sale of property and other security	2,309	2,116	1,717	1,590
On rent of property	947	932	1,136	999
Other	4,011	3,258	3,789	3,194
Total	7,267	6,306	6,642	5,783

NOTE 6 PERSONNEL EXPENSES

	Group		Bank	
	2008	2007	2008	2007
Salaries	64,069	61,058	59,848	58,071
Social insurance	22,624	20,496	21,317	19,586
Training and business trip expenses	2,636	2,555	2,489	2,359
Other	8,594	5,588	8,594	5,588
Total	97,923	89,697	92,248	85,604

NOTE 7 DEPRECIATION AND AMORTISATION

	Group		Bank	
	2008	2007	2008	2007
Amortisation of intangible assets	2,117	1,833	1,800	1,676
Depreciation of property, plant and equipment assets	17,005	14,474	12,427	10,483
Total	19,122	16,307	14,227	12,159

NOTE 8 OTHER ADMINISTRATIVE EXPENSES

	Group		Bank	
	2008	2007	2008	2007
Rent of premises and maintenance expenses	15,655	12,319	14,869	11,797
Transportation, post and communications expenses	9,981	8,597	9,278	7,763
Advertising and marketing expenses	7,470	7,936	7,177	7,355
Office equipment and maintenance expenses	12,396	12,005	12,237	11,935
Cash collection, consultancy and other services expenses	21,364	13,259	21,184	13,103
Taxes other than income tax	12,560	10,837	12,357	10,629
Other expenses	12,138	8,783	9,558	7,129
Total	91,564	73,736	86,660	69,711

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

NOTE 9 INCOME TAX

	Group		Bank	
	2008	2007	2008	2007
Current tax for the year	13,981	23,598	13,546	23,252
Change of deferred tax asset (see below)	(526)	523	(457)	431
Total	13,455	24,121	13,089	23,683

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

	Group		Bank	
	2008	2007	2008	2007
Profit before income tax	82,862	131,038	83,826	131,567
Tax calculated at a tax rate of 15% for 2008 (2007: 18%)	12,429	23,587	12,574	23,682
Income not subject to tax	(1,726)	(2,211)	(1,437)	(1,762)
Expenses not deductible for tax purposes	4,821	3,756	3,915	2,561
Recognition /utilisation of previously unrecognised tax losses	(106)	(213)	-	-
Adjustment of previous year income tax	(1,963)	(798)	(1,963)	(798)
Income tax charge/(credit)	13,455	24,121	13,089	23,683
Movement in deferred tax asset				
At the beginning of the year	780	389	212	(271)
Charge (credit) to equity (Note 29)	1,566	914	1,566	914
Income statement credit (charge)	526	(523)	457	(431)
At the end of the year	2,872	780	2,235	212

In 2008 LTL 2,596 thousand of deferred tax (out of 2,872 thousand) is related to revaluation of available for sale securities (in 2007 LTL 1,031 thousand).

20% tax rate was used to calculate deferred income taxes in 2008 (2007: 15%).

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

Group – deferred tax liabilities

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2007	766	-	766
Charged/ (credited) in income statement	595	1	596
As at 1 January 2008	1,361	1	1,362
Charged/ (credited) in income statement	1,175	11	1,186
As at 31 December 2008	2,536	12	2,548

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

NOTE 9 INCOME TAX (continued)

Group – deferred tax assets

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2007	95	131	319	610	1,155
Charged/ (credited) in income statement	146	17	(213)	123	73
Charged/ (credited) to equity	-	914	-	-	914
As at 1 January 2008	241	1,062	106	733	2,142
Charged/ (credited) in income statement	379	1,161	(106)	278	1,712
Charged/ (credited) to equity	-	1,566	-	-	1,566
As at 31 December 2008	620	3,789	-	1,011	5,420

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable.

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

Bank – deferred tax liability

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2007	766	-	766
Charged/ (credited) in income statement	595	1	596
As at 1 January 2008	1,361	1	1,362
Charged/ (credited) in income statement	1,175	11	1,186
As at 31 December 2008	2,536	12	2,548

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

NOTE 9 INCOME TAX (continued)

Bank – deferred tax assets

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2007	95	131	-	269	495
Charged/ (credited) in income statement	146	17	-	2	165
Charged/ (credited) to equity	-	914	-	-	914
As at 1 January 2008	241	1,062	-	271	1,574
Charged/ (credited) in income statement	379	1,077	-	187	1,643
Charged/ (credited) to equity	-	1,566	-	-	1,566
As at 31 December 2008	620	3,705	-	458	4,783

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

	Group		Bank	
	2008	**2007**	**2008**	**2007**
Deferred tax assets	5,420	2,142	4,783	1,574
Deferred tax liabilities	(2,548)	(1,362)	(2,548)	(1,362)
	2,872	780	2,235	212

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

NOTE 10 EARNINGS PER SHARE

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

Calculation of weighted average for 2008	Note	Number of shares	Par value	Issued/ 365 (days)	Weighted average
Shares issued as of 31 December 2007		3,162,537	115	365/ 365	3,162,537
as of 20 August 2008		1,976,583	115	134/ 366	723,667
Shares issued as of 31 December 2008	28	**5,139,120**	**115**	**366/366**	**3,886,204**
Calculation of weighted average for 2007		**Number of shares**	**Par value**	**Issued/ 365 (days)**	**Weighted average**
Shares issued as of 31 December 2006		2,710,746	115	365/ 365	2,710,746
as of 01 June 2007		451,791	115	214/ 365	264,886
Shares issued as of 31 December 2007	28	**3,162,537**	**115**	**365/365**	**2,975,632**

	2008	2007
	Group	Group
Profit attributed to equity holders of the parent	69,407	106,917
Weighted average number of issued shares (units)	3,886,204	2,975,632
Earnings per share (LTL per share)	17.86	35.93

The 2008 and 2007 diluted earnings per share ratios are the same as basic earnings per share.

NOTE 11 CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2008	2007	2008	2007
Cash and other valuables	252,186	213,359	252,182	213,356
Placements with Central Bank:				
Required reserves in national currency	232,173	262,236	232,173	262,236
Total	484,359	475,595	484,355	475,592

Required reserves held with the bank of Lithuania are calculated monthly on a basis of previous month end liabilities and 4% (6% as of 31 December 2007) required reserves rate is applied. All required reserves are held only in LTL. The Bank of Lithuania pays interest for the required reserves. The interest is calculated from the base of compulsory reserves, calculated according to the requirements of European Central Bank (ECB). There is no interest for the remaining compulsory reserves. The interest rate for the interest bearing part is equal to the ECB refinancing interest rate, valid on the day of transaction

NOTE 12 DUE FROM BANKS

	Group		Bank	
	2008	2007	2008	2007
Due from banks				
Demand deposits	67,600	59,474	67,600	59,473
Term deposits	64,163	212,631	63,117	212,631
Repurchase transactions	66,767	50,274	66,767	50,274
Long term loans	4,950	4,950	4,950	4,950
Total	203,480	327,329	202,434	327,328

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

NOTE 13 TRADING SECURITIES

Group (Bank)

	2008			2007		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	54,237	-	560	608	-	-
Bonds issued by other banks	3,039	-	-	1,535	-	-
Government bonds of foreign issuers	960	-	-	968	-	-
Equity securities						
Corporate	11	-	-	103	-	-
Total	58,247	-	560	3,214	-	-

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

Group (Bank)

	2008
Beginning balance	-
Transfers in and/or out of level 3	512
Unrealised gains/losses for assets held at the end of the reporting period	48
Ending balance	560

NOTE 14 SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Group (Bank)

	2008			2007		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Government bonds of the Republic of Lithuania	-	-	106,883	-	-	-
Government bonds of foreign issuers	133,896		55,165	-	-	-
Total	133,896	-	162,048	-	-	-

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

NOTE 14 SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

Group (Bank)

	2008
Beginning balance	-
Transfers in and/or out of level 3	166,067
Unrealised gains/losses for assets held at the end of the reporting period	(4,019)
Ending balance	162,048

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

Group (Bank)

	2008		2007	
	%	Maturity (in years)	%	Maturity (in years)
Government bonds of the Republic of Lithuania	5.3	3.8	-	-
Government bonds of foreign issuers	4.7	2.9	-	-

NOTE 15 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

NOTE 15 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

	Notional amounts		Fair values	
	Purchase	Sale	Assets	Liabilities
As at 31 December 2008				
FX forwards, swaps, put, call options	2,487,014	2,478,456	13,412	8,620
Interest rate swaps, collars	2,523,548	2,523,548	19,228	41,581
Equity linked options	869,858	851,960	7,254	20
Commodity linked options	46,243	45,438	802	-
Total	5,926,663	5,899,402	40,696	50,221
As at 31 December 2007				
FX forwards, swaps, put, call options	1,865,877	1,866,498	2,925	3,775
Interest rate swaps, collars	1,538,913	1,538,913	6,806	7,961
Equity linked options	822,407	802,251	84,345	-
Commodity linked options	49,412	44,611	4,745	-
Total	4,276,609	4,252,273	98,821	11,736

NOTE 16 SECURITIES AVAILABLE FOR SALE

Group

	2008			2007		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Government bonds and treasury bills of the Republic of Lithuania	1,797	-	146	891	-	-
Bonds of the banks	402,169	-	203,320	725,552	-	-
Equity securities						-
Unlisted	844	-	-	311	-	
Units of funds	758	-	-	319	-	-
Total	405,568	-	203,466	727,073	-	-

Bank

	2008			2007		
	Fair value measurement based on:			Fair value measurement based on:		
	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data	quoted prices	valuation techniques based on observable market data	valuation techniques not based on observable market data
Debt securities						
Bonds of the banks	402,106	-	203,320	725,552	-	-
Equity securities						-
Unlisted	844	-	-	311	-	
Total	402,950	-	203,320	725,863	-	-

Total amount of available for sale securities are unimpaired assets.

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

NOTE 16 SECURITIES AVAILABLE FOR SALE (continued)

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

	Group	Bank
	2008	2008
Beginning balance	-	-
Transfers in and/or out of level 3	207,592	207,444
Unrealised gains/losses for assets held at the end of the reporting period	(4,126)	(4,124)
Ending balance	203,466	203,320

NOTE 17 LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2008	2007	2008	2007
Loans and advances to financial institutions	45,970	130,557	127,300	189,377
Loans to business customers:				
- Public authorities, state and municipal entities	169,747	139,681	169,747	139,681
- Large corporates	2,948,215	2,075,206	2,948,215	2,075,206
- SMEs	2,607,543	2,045,653	2,607,543	2,045,776
- Farmers	342,465	274,591	342,465	274,591
- Other	8,584	8,008	8,584	8,008
Total loans to business customers	6,076,554	4,543,139	6,076,554	4,543,262
Loans to individuals (retail):				
- Consumer loans	616,563	564,805	616,563	564,805
- Mortgages	3,920,412	3,079,307	3,920,412	3,079,307
- Loans secured by equity linked bonds issued by Bank	596,261	512,628	596,261	512,628
- Other	38,373	34,519	38,373	34,519
Total loans to individuals (retail)	5,171,609	4,191,259	5,171,609	4,191,259
Total gross loans granted	11,294,133	8,864,955	11,375,463	8,923,898
Total allowance for impairment:	(114,523)	(54,738)	(114,523)	(54,738)
to financial institutions	-	-	-	-
to business customers	(89,312)	(46,330)	(89,312)	(46,330)
to individuals	(25,211)	(8,408)	(25,211)	(8,408)
Total (net loans and advances to customers)	11,179,610	8,810,217	11,260,940	8,869,160

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

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

NOTE 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

Allowance for impairment

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

31 December 2008

	Group and Bank loans to individuals (retail)	Group and Bank loans to business customers
Balance as at 1 January 2008	**8,408**	**46,330**
Change in allowance for loan impairment	23,377	44,916
Loans written off during the year as uncollectible	(6,574)	(1,934)
As at 31 December 2008	**25,211**	**89,312**

31 December 2007

	Group and Bank loans to individuals (retail)	Group and Bank loans to business customers
Balance as at 1 January 2007	**4,625**	**30,672**
Change in allowance for loan impairment	7,337	16,389
Loans written off during the year as uncollectible	(3,554)	(731)
As at 31 December 2007	**8,408**	**46,330**

Net change in allowance for loan impairment accounts for LTL 68,293 thousands in the year ended 31 December, 2008 (2007: LTL 23,726 thousands).

There were no allowance for impairment against loans and advances to banks and financial institutions neither at Bank nor at the Group level as of end of 2007 and 2008. Respectively, there were no changes in allowance for loan impairment and write-offs for such loans and allowances in 2007 and 2008.

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

NOTE 18 FINANCE LEASE RECEIVABLES

	Up to one year	From 1 to 5 years	Over 5 years	Total
Gross investments in leasing				
Balance as at 31 December 2007	287,561	518,889	61,979	868,429
Change during 2008	63,722	131,891	(8,005)	187,608
Balance as at 31 December 2008	351,283	650,780	53,974	1,056,037
Unearned finance income on finance leases				
Balance as at 31 December 2007	40,830	61,746	9,551	112,127
Change during 2008	8,475	6,805	(2,053)	13,227
Balance as at 31 December 2008	49,305	68,551	7,498	125,354
Net investments in finance leases before impairment				
31 December 2007	246,731	457,143	52,428	756,302
31 December 2008	301,978	582,229	46,476	930,683
Changes in impairment				
Balance as at 31 December 2006	326	741	139	1,206
Increase (decrease) in impairment (Note 4)	(87)	646	199	758
Balance as at 31 December 2007	239	1,387	338	1,964
Increase (decrease) in impairment (Note 4)	6,661	19,240	415	26,316
Reclassification	668			668
Balance as at 31 December 2008	7,568	20,627	753	28,948
Net investments in finance leases after impairment				
31 December 2007	246,492	455,756	52,090	754,338
31 December 2008	294,410	561,602	45,723	901,735

NOTE 19 INVESTMENTS IN SUBSIDIARIES

			2008	2007
	Share	Nominal value	Carrying value	Carrying value
Investments in consolidated subsidiaries				
DnB NORD Lizingas UAB	100%	2,000	2,200	2,200
DnB NORD Investicijų Valdymas UAB	100%	2,000	4,000	4,000
DnB NORD Būstas UAB	100%	1,000	2,700	1,000
Total			8,900	7,200

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

NOTE 20 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings and premises	Vehicles	Equipment	Construction in progress	Total
31 December 2006					
Cost	81,784	15,781	55,816	5,404	158,785
Accumulated depreciation	(15,271)	(3,476)	(31,478)	-	(50,225)
Net book value	66,513	12,305	24,338	5,404	108,560
Year ended as at 31 December 2007					
Net book value as at 1 January	66,513	12,305	24,338	5,404	108,560
Acquisitions	-	13,940	15,166	8,513	37,619
Transfers from construction in progress	9,595	-	-	(9,595)	-
Disposals and write-offs	(1,695)	(3,928)	(706)	-	(6,329)
Depreciation charge	(2,051)	(3,197)	(8,728)	-	(13,976)
Net book value as at 31 December	72,362	19,120	30,070	4,322	125,874
31 December 2007					
Cost	88,782	24,725	63,141	4,322	180,970
Accumulated depreciation	(16,420)	(5,605)	(33,071)	-	(55,096)
Net book value	72,362	19,120	30, 070	4,322	125,874
Reclassifications	-	-	4,048	-	4, 048
Net book value as at 31 December 2007 after reclassification	72,362	19,120	34,118	4,322	129,922
Year ended as at 31 December 2008					
Net book value at 1 January	72,362	19,120	34,118	4,322	129,922
Acquisitions	-	3,148	17,435	7,616	28,199
Transfers from construction in progress	7,133	-	-	(7,133)	-
Transfers to assets held-for-sale	-	-	(22)	-	(22)
Disposals and write-offs	(902)	(2,665)	(844)	-	(4,411)
Depreciation charge	(2,175)	(4,135)	(10,695)	-	(17,005)
Net book value as at 31 December	76,418	15,468	39,992	4,805	136,683
31 December 2008					
Cost	94,492	22,980	78,274	4,805	200,551
Accumulated depreciation	18,074	7,512	38,282	-	63,868
Net book value	76,418	15,468	39,992	4,805	136,683
Economic life (in years)	50	3-6	3-10	-	-

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

NOTE 20 PROPERTY, PLANT AND EQUIPMENT (continued)

From the total Group assets amount stated above the assets under operating lease agreements as at 31 December 2008 amounted to 15,589 LTL thousand (in 2007 LTL 20,037 thousand) and are as follows:

	Vehicles	Equipment	Total
31 December 2006			
Cost	15,573	4,262	19,835
Accumulated depreciation	(3,365)	(2,629)	(5,994)
Net book value	12,208	1,633	13,841
Year ended as at 31 December 2007			
Net book value as at 1 January	12,208	1,633	13,841
Acquisitions	13,940	365	14,305
Disposals and write-offs	(3,868)	(347)	(4,215)
Depreciation charge	(3,172)	(722)	(3,894)
Net book value as at 31 December	19,108	929	20,037
31 December 2007			
Cost	24,625	1,876	26,501
Accumulated depreciation	(5,517)	(947)	(6,464)
Net book value	19,108	929	20,037
Year ended as at 31 December 2008			
Net book value at 1 January	19,108	929	20,037
Acquisitions	3,077	-	3,077
Disposals and write-offs	(2,661)	(543)	(3,204)
Depreciation charge	(4,117)	(204)	(4,321)
Net book value as at 31 December	15,407	182	15,589
31 December 2008			
Cost	22,909	243	23,152
Accumulated depreciation	7,502	61	7,563
Net book value	15,407	182	15,589
Economic life (in years)	6	4	-

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

NOTE 20 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank

	Buildings and premises	Vehicles	Equipment	Construction in progress	Total
31 December 2006					
Cost	81,069	100	51,034	5,404	137,607
Accumulated depreciation	(15,271)	(69)	(28,615)	-	(43,955)
Net book value	65,798	31	22,419	5,404	93,652
Year ended as at 31 December 2007					
Net book value as at 1 January	65,798	31	22,419	5,404	93,652
Acquisitions	-	-	14,269	8,513	22,782
Transfers from construction in progress	9,595	-	-	(9,595)	-
Disposals and write-offs	(980)	-	(283)	-	(1,263)
Depreciation charge	(2,051)	(20)	(7,914)	-	(9,985)
Net book value as at 31 December	72,362	11	28,491	4,322	105,186
31 December 2007					
Cost	88,782	100	60,233	4,322	153,437
Accumulated depreciation	(16,420)	(89)	(31,742)	-	(48,251)
Net book value	72,362	11	28,491	4,322	105,186
Reclassifications	-	-	4,048	-	4,048
Net book value as at 31 December 2007 after reclassification	72,362	11	32,539	4,322	109,234
Year ended as at 31 December 2008					
Net book value as at 1 January	72,362	11	32,539	4,322	109,234
Acquisitions	-	-	17,265	7,616	24,881
Transfers from construction in progress	7,133	-	-	(7,133)	-
Disposals and write-offs	(902)	(3)	(264)	-	(1,169)
Depreciation charge	(2,175)	(8)	(10,244)	-	(12,427)
Net book value as at 31 December	76,418	-	39,296	4,805	120,519
31 December 2008					
Cost	94,492	-	77,134	4,805	176,431
Accumulated depreciation	18,074	-	37,838	-	55,912
Net book value	76,418	-	39,296	4,805	120,519
Economic life (in years)	50	6	3-10	-	-

No assets were pledged to a third party as at 31 December 2008 and 31 December 2007.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment as at 31 December 2008 and 31 December 2007.

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

NOTE 21 INTANGIBLE ASSETS

	Group	Bank
31 December 2006		
Cost	16,320	15,722
Accumulated amortisation	(9,224)	(8,916)
Net book value	7,096	6,806
Year ended as at 31 December 2007		
Net book value as at 1 January	7,096	6,806
Acquisitions	3,669	3,072
Amortisation charge	(1,833)	(1,676)
Net book value as at 31 December	8,932	8,202
31 December 2007		
Cost	19,514	18,398
Accumulated amortisation	(10,582)	(10,196)
Net book value	8,932	8,202
Year ended as at 31 December 2008		
Net book value as at 1 January	8,932	8,202
Acquisitions	1,162	1,013
Amortisation charge	(2,117)	(1,800)
Net book value as at 31 December	7,977	7,415
31 December 2008		
Cost	18,918	17,627
Accumulated amortisation	10,941	10,212
Net book value	7,977	7,415
Economic life (in years)	3-5	5

Intangible assets include purchased computer software and software licences.

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

NOTE 22 OTHER ASSETS

	Group		Bank	
	2008	2007	2008	2007
Accrued income	1,694	2,000	718	675
Deferred expenses	3,438	4,014	2,894	3,355
Repossessed assets	620	201	620	201
Prepayments for property and equipment	7,022	31,970	47	47
Assets bought for leasing activities	10,275	29,339	-	-
Prepayments and receivables	4,090	820	6,735	586
Other assets	9,314	8,641	1,984	1,779
Total	36,453	76,985	12,998	6,643

NOTE 23 DUE TO BANKS

	Group		Bank	
	2008	2007	2008	2007
Funds of banks				
Demand deposits	39,428	86,994	39,428	86,994
Term deposits	6,563,173	4,072,535	6,563,173	4,072,535
Loans	895,489	783,973	4,392	13,157
Total	7,498,090	4,943,502	6,606,993	4,172,686

NOTE 24 DUE TO CUSTOMERS

	Group		Bank	
	2008	2007	2008	2007
Demand deposits				
of public authorities	173,804	162,333	173,804	162,333
of state and municipal entities	251,003	573,769	251,003	573,769
of financial institutions	11,872	16,667	11,979	17,543
of private entities	819,026	1,093,110	819,424	1,093,119
of individuals	810,714	891,471	810,714	891,471
Total demand deposits	2,066,419	2,737,350	2,066,924	2,738,235
Term deposits				
of public authorities	78,243	1,132	78,243	1,132
of state and municipal entities	29,222	77,861	29,222	77,861
of financial institutions	59,005	65,415	95,665	78,970
of private entities	290,246	329,382	290,246	329,382
of individuals	1,292,804	1,032,872	1,292,804	1,032,872
Total term deposits	1,749,520	1,506,662	1,786,180	1,520,217
Term loan	5,593	5,586	5,593	5,586
Total	3,821,532	4,249,598	3,858,697	4,264,038

As at 31 December 2008 included in customer accounts were deposits of LTL 12,137 thousand (2007: LTL 16,803 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees and loans.

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

NOTE 25 DEBT SECURITIES IN ISSUE

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

Currency	Interest rate	Maturity	Carrying value 2008	Carrying value 2007
Index linked bonds				
EUR	-	2008 - 2012	410,446	374,039
LTL	-	2008 - 2011	388,311	360,840
LVL	-	2009 - 2010	12,303	11,830
USD	-	2010	3,354	3,057
Embedded derivatives			8,003	87,974
Deffered profit from index linked bonds			14,869	21,631
Total			837,286	859,371
Other bonds				
LTL	3.25 p.a.	2008	-	38,994
LTL	4.33 p.a.	2009	25,176	19,815
LTL	4.30 p.a.	2008	-	39,905
LTL	4.60 p.a.	2008	-	30,063
LTL	5.05 p.a.	2008	-	34,232
LTL	0 p.a.	2008	-	93,744
LTL	0 p.a.	2009	93,649	-
EUR	0 p.a.	2009	5,224	-
LTL	6.25 p.a.	2009	59,049	-
LTL	5.90 p.a.	2009	18,969	-
LTL	6.28 p.a.	2009	48,151	-
LTL	6.60 p.a.	2009	34,337	-
LTL	6.90 p.a.	2009	30,710	-
LTL	7.60 p.a.	2009	3,895	-
LTL	9.80 p.a.	2010	12,961	-
LTL	12.00 p.a.	2009	9,641	-
Total			341,762	256,753
Total debt securities in issue			**1,179,048**	**1,116,124**

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

	Group	Bank
As at 1 January 2008	21,631	21,631
Additions arising from new transactions	4,036	4,036
Released to profit and loss during the year	(10,798)	(10,798)
As at 31 December 2008	14,869	14,869
As at 1 January 2007	6,263	6,263
Additions arising from new transactions	22,781	22,781
Released to profit and loss during the year	(7,413)	(7,413)
As at 31 December 2007	21,631	21,631

NOTE 26 SUBORDINATED LOANS

	Group		Bank	
Loan providers:	2008	2007	2008	2007
Norddeutsche Landesbank Girozentrale	117,077	116,935	117,077	116,935
European Bank for Reconstruction and Development (EBRD)	38,874	38,804	38,874	38,804
Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig	8,768	8,766	8,768	8,766
Bank DnB NORD A/S	240,668	99,065	240,668	99,065
Total	405,387	263,570	405,387	263,570

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

NOTE 26 SUBORDINATED LOANS (continued)

All subordinated loans are denominated in Euro (EUR). The Group has not had any defaults of principal, interest or redemption amounts during the period on its borrowed funds (2007: nil). The lenders' claims arising from all the subordinated agreements shall be satisfied only after satisfaction of all claims of non-subordinated creditors. The claims of the subordinated creditors shall rank pari passu with the claims of other subordinated creditors.

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

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

In 2006 the Bank received two subordinated loans from Bank DnB NORD A/S: in May 2006, the Bank and Bank DnB NORD A/S signed the Subordinated Loan Agreement, whereunder the Bank got 10 years EUR 16,000 thousand (LTL 55,245 thousand) loan, and in October 2006, the Bank and Bank DnB NORD A/S signed the Subordinated Loan Agreement, whereunder the Bank got 10 years EUR 12,500 thousand (LTL 43,160 thousand) loan. These loans are repayable in full in 2016. The interest rate applicable to these subordinated loans is equal to 6-month EURIBOR + 0.60 p.a.

In February 2005, the Bank and the foundation Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig, founded by Norddeutsche Landesbank Girozentrale, signed the Subordinated Loan Agreement, whereunder the Bank got 10 years EUR 2,500 thousand (LTL 8,632 thousand) loan. This loan is repayable in full in 2015. Until 24 February 2010, the interest rate applicable to the loan is 4.39% and thereafter (starting from 25 February 2010) the interest rate shall be 5.9%.

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

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

NOTE 27 OTHER LIABILITIES

	Group		Bank	
	2008	2007	2008	2007
Accrued expenses	24,249	38,467	23,096	37,738
Deferred income	3,458	3,562	107	599
Transit accounts	7,535	10,019	7,535	10,019
Liabilities for transactions with payment cards	759	631	759	631
Liabilities to suppliers	3,790	9,295	-	-
Prepayment for finance lease	4,357	10,005	-	-
Provisions for guarantees and other contingent liabilities	48	8	11,682	8
Other liabilities	6,188	6,255	4,350	4,697
Total	50,384	78,242	47,529	53,692

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

NOTE 27 OTHER LIABILITIES (continued)

The movement of provisions for guarantees and other contingent liabilities were as follows:

	Group	Bank
As at 1 January 2008	8	8
Increase in provisions for guarantees and other contingent liabilities	64	11,698
Decrease in provisions for guarantees and other contingent liabilities	(21)	(21)
Changes due to exchange rates	(3)	(3)
As at 31 December 2008	48	11,682
As at 1 January 2007	63	63
Increase in provisions for guarantees and other contingent liabilities	9	9
Decrease in provisions for guarantees and other contingent liabilities	(63)	(63)
Changes due to exchange rates	(1)	(1)
As at 31 December 2007	8	8

NOTE 28 SHARE CAPITAL

As at 31 December 2008 the share capital of the Bank is divided into 5,139,120 (as at 31 December 2007: – 3,162,537) ordinary registered shares with a par value of LTL 115 each. On 20 of August 2008, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the increase of the Bank's authorised share capital by LTL 227,307 thousand by issuing 1,976,583 ordinary registered shares (by issuing of 1,581,267 shares from the own funds of bank and by issuing of 395,316 shares by additional contributions of shareholders) with a par value of LTL 115 each. New shares issued by additional contributions of shareholders have been allotted at LTL 370 each. All shares were subscribed and fully paid for. Share premium amounted to LTL 277,218 thousand as at 31 December 2008 (as at 31 December 2007: – LTL 205,747 thousand).

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

	2008			2007		
	Number of shares	Nominal value, LTL thousand	%	Number of shares	Nominal value, LTL thousand	%
Bank DNB NORD A/S (Denmark)	4,814,122	553,624	93.68	2,946,061	338,797	93.15
SKANDINAVSKA ENSKILDA BANKEN clients	257,188	29,577	5.00	181,705	20,896	5.75
Other	67,810	7,798	1.32	34,771	3,999	1.1
Total	5,139,120	590,999	100.00	3,162,537	363,692	100.00

NOTE 29 OTHER RESERVES

	Group		Bank	
	2008	2007	2008	2007
Mandatory reserve	15,139	7,044	14,876	6,849
Other reserves	842	863	842	863
Financial assets revaluation reserve	(10,832)	(5,876)	(10,383)	(5,840)
Total	5,149	2,031	5,335	1,872

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

NOTE 29 OTHER RESERVES (continued)

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

	Group	Bank
As at 1 January 2008	5,876	5,840
Net gain/loss from changes in fair value	2,353	1,921
Net gain/loss transferred to net profit on disposal (Note 3)	1,037	1,056
Changes of deferred income taxes (Note 9)	1,566	1,566
As at 31 December 2008	(10,832)	(10,383)
As at 1 January 2007	(277)	(287)
Net gain/loss from changes in fair value	(5,228)	(5,138)
Net gain/loss transferred to net profit on disposal (Note 3)	(1,285)	(1,329)
Changes of deferred income taxes (Note 9)	914	914
As at 31 December 2007	(5,876)	(5,840)

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

NOTE 30 ASSETS / FUNDS UNDER MANAGEMENT

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

Assets under management totalling to LTL 45,963 thousand as at 31 December 2008 (2007: LTL 57,746 thousand) consist of loans granted to legal entities and individuals, including farmers and house building associations and other companies. These loans were granted from the Lithuanian Agricultural Support Fund, the Farmers' Support Fund, the Agricultural Support Fund (proceeds from sale of grain received from the USA) and the Common Mortgage Support Fund.

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

Subsidiary DnB NORD Investicijų Valdymas UAB manages the following funds:

	2008	2007
Investment funds:		
DnB NORD Money Market Fund	5,499	17,015
DnB NORD Bond Fund	1,269	2,656
DnB NORD Equity Fund of funds	7,573	10,594
2rd pillar pension funds:		
DnB NORD pensija 1	16,053	9,946
DnB NORD pensija 2	70,618	48,750
DnB NORD pensija 3	70,467	50,448
3rd pillar pension fund:		
DnB NORD papildoma pensija	13,604	21,493
DnB NORD papildoma pensija 100	710	819
Value of individually managed investment portfolios	7,242	5,895
Total	193,035	167,616

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

NOTE 31 CONTINGENT LIABILITIES AND COMMITMENTS

Legal claims. As at 31 December 2008, contingent liabilities that may arise as a result of pending court proceedings in which the Group (Bank) would appear as a respondent amounted to LTL 382 thousand (2007: LTL 905 thousand). The Bank established a provision of LTL 244 thousand (2007: LTL 110 thousand) against potential losses in relation to the outcome of legal claims.

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

	Group		Bank	
	2008	2007	2008	2007
Guarantees	229,863	165,503	834,995	666,272
Letters of credit	23,067	15,518	23,067	15,518
Commitments to grant loans	1,262,272	1,753,654	1,864,131	1,785,241
Commitments to grant finance leases	38,613	116,213	-	-
Capital commitments and other commitments to acquire assets	7,158	13,281	1,434	3,505
Other commitments	8,460	8,566	9,163	8,668
Total	1,569,433	2,072,735	2,732,790	2,479,204

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

Operating lease commitments – where the Bank is the lessee

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

	Group		Bank	
	2008	2007	2008	2007
Not later than 1 year	1,019	1,019	1,235	1,044
Later than 1 year and not later than 5 years	3,907	4,077	4,394	4,154
Later than 5 years	-	849	-	849
Total	4,926	5,945	5,629	6,047

Amounts receivable under operating lease – where the Group is the lessor

The future lease payments receivable under non-cancellable operating lease agreements can be specified as follows:

	Group		Bank	
	2008	2007	2008	2007
Not later than 1 year	4,170	5,882	-	-
Later than 1 year and not later than 5 years	2,944	6,684	-	-
Total	7,114	12,566	-	-

NOTE 32 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2008	2007	2008	2007
Cash (Note 11)	252,186	213,359	252,182	213,356
Correspondent accounts with other banks	25,683	33,347	25,683	33,347
Overnight deposits	41,915	26,121	41,915	26,121
Required reserves in national currency in Central Bank	208,753	262,145	208,753	262,145
Correspondent account with central bank	23,420	-	23,420	-
Total	551,957	534,972	551,953	534,969

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

NOTE 33 LIQUIDITY RISK

According to the regulations approved by the Bank of Lithuania, the liquidity ratio should not be less than 30%. In 2007 and 2008 the Bank and Group complied with the liquidity ratio set by the Bank of Lithuania.

The structure of the Group's assets and liabilities by the remaining maturity as at 31 December 2008 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefi-ned	Total
Assets									
Cash and balances with central banks	484,359	-	-	-	-	-	-	-	484,359
Due from banks	25,683	124,534	643	4,950	-	47,670	-	-	203,480
Trading securities	-	-	243	461	204	56,427	1,461	11	58,807
Securities designated at fair value through profit or loss	-	-	40,491	53,311	-	-	202,142	-	295,944
Derivative financial instruments	-	16,935	963	3,270	893	14,522	4,113	-	40,696
Securities available-for-sale	-	2,021	19,471	17,730	51,081	419,671	97,458	1,602	609,034
Loans and advances to customers	-	198,500	455,628	637,611	1,264,246	3,172,137	5,120,844	330,644	11,179,610
Finance lease receivables	-	43,385	41,391	62,590	147,044	376,841	230,389	95	901,735
Property, plant and equipment	-	-	-	-	-	-	-	136,683	136,683
Intangible assets	-	-	-	-	-	-	-	7,977	7,977
Deferred income tax asset	-	-	-	-	-	-	-	2,872	2,872
Other assets	240	19,771	10,798	127	138	6	7	5,366	36,453
Total assets	510,282	405,146	569,628	780,050	1,463,606	4,087,274	5,656,414	485,250	13,957,650
Liabilities and shareholders' equity									
Due to banks	3,596	958,813	524,428	223,718	1,419,743	3,960,362	407,430	-	7,498,090
Derivative financial instruments	-	6,422	3,108	7,187	3,096	9,343	21,065	-	50,221
Due to customers	2,067,700	601,732	448,710	385,089	280,055	26,793	11,453	-	3,821,532
Debt securities in issue	-	95,518	134,330	135,871	159,932	647,318	6,079	-	1,179,048
Current income tax liabilities	-	-	-	-	9,634	-	-	-	9,634
Subordinated loans	-	1,336	1,029	771	-	-	402,251	-	405,387
Other liabilities	3,431	29,870	8,455	1,603	3,122	1,484	866	1,553	50,384
Shareholders' equity	-	-	-	-	-	-	-	943,354	943,354
Total liabilities and shareholders' equity	2,074,727	1,693,691	1,120,060	754,239	1,875,582	4,645,300	849,144	944,907	13,957,650
Net liquidity gap	(1,564,445)	(1,288,545)	(550,432)	25,811	(411,976)	(558,026)	4,807,270	(459,657)	-

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

NOTE 33 LIQUIDITY RISK (continued)

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	509,044	515,897	479,690	590,790	991,489	3,513,990	4,535,350	276,956	11,413,206
Total liabilities and shareholders' equity	2,731,901	958,186	1,444,734	800,529	1,309,685	2,576,130	852,652	739,389	11,413,206
Net liquidity gap	(2,222,857)	(442,289)	(965,044)	(209,739)	(318,196)	937,860	3,682,698	(462,433)	-

The Group's liquidity ratio is the ratio of liquid assets to its current liabilities. Group's liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

The Group's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of the year:

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2007	1,590,106	4,387,402	36.24
31 December 2008	1,749,467	4,668,364	37.47

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

NOTE 33 LIQUIDITY RISK (continued)

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2008 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and balances with central banks	484,355	-	-	-	-	-	-	-	484,355
Due from banks	25,683	124,131	-	4,950	-	47,670	-	-	202,434
Trading securities	-	-	243	461	204	56,427	1,461	11	58,807
Securities designated at fair value through profit or loss	-	-	40,491	53,311	-	-	202,142	-	295,944
Derivative financial instruments	-	16,935	963	3,270	893	14,522	4,113	-	40,696
Securities available-for-sale	-	2,013	18,916	17,134	50,759	419,340	97,264	844	606,270
Loans and advances to customers	-	198,923	461,146	637,611	1,264,246	3,192,163	5,176,207	330,644	11,260,940
Investments in subsidiaries	-	-	-	-	-	-	-	8,900	8,900
Property, plant and equipment	-	-	-	-	-	-	-	120,519	120,519
Intangible assets	-	-	-	-	-	-	-	7,415	7,415
Deferred income tax asset	-	-	-	-	-	-	-	2,235	2,235
Other assets	240	7,754	1	80	1	5	7	4,910	12,998
Total assets	510,278	349,756	521,760	716,817	1,316,103	3,730,127	5,481,194	475,478	13,101,513
Liabilities and shareholders' equity									
Due to banks	3,596	953,529	486,968	152,245	1,281,631	3,321,594	407,430	-	6,606,993
Derivative financial instruments	-	6,422	3,108	7,187	3,096	9,343	21,065	-	50,221
Due to customers	2,068,205	637,989	449,113	385,089	280,055	26,793	11,453	-	3,858,697
Debt securities in issue	-	95,518	134,330	135,871	159,932	647,318	6,079	-	1,179,048
Current income tax liabilities	-	-	-	-	9,349	-	-	-	9,349
Subordinated loans	-	1,336	1,029	771	-	-	402,251	-	405,387
Other liabilities	3,375	19,018	8,127	1,366	2,998	11,229	1	1,415	47,529
Shareholders' equity	-	-	-	-	-	-	-	944,289	944,289
Total liabilities and shareholders' equity	2,075,176	1,713,812	1,082,675	682,529	1,737,061	4,016,277	848,279	945,704	13,101,513
Net liquidity gap	(1,564,898)	(1,364,056)	(560,915)	34,288	(420,958)	(286,150)	4,632,915	(470,226)	-

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

NOTE 33 LIQUIDITY RISK (continued)

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2007 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	509,040	425,645	446,702	537,584	866,686	3,231,051	4,359,978	254,783	10,631,469
Total liabilities and shareholders' equity	2,732,786	944,178	1,199,799	799,464	1,205,455	2,159,977	851,868	737,942	10,631,469
Net liquidity gap	(2,223,746)	(518,533)	(753,097)	(261,880)	(338,769)	1,071,074	3,508,110	(483,159)	-

The Bank's liquidity ratio is the ratio of liquid assets to its current liabilities. Bank's liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

The Bank's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of each year:

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2007	1,560,179	4,248,391	36.72
31 December 2008	1,703,943	4,705,489	36.21

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

NOTE 34 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS

The Group's open positions of prevailing currencies as at 31 December 2008 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	11,119	54,446	6,898	753	17,720	90,936	393,423	484,359
Due from banks	3,283	158,196	237	234	10,037	171,987	31,493	203,480
Trading securities	-	58,188	-	-	-	58,188	619	58,807
Securities designated at fair value through profit or loss	-	295,944	-	-	-	295,944	-	295,944
Derivative financial instruments	597	26,687	-	-	-	27,284	13,412	40,696
Securities available for sale	795	596,717	-	-	8,967	606,479	2,555	609,034
Loans and advances to customers	237,560	7,307,275	-	-	-	7,544,835	3,634,775	11,179,610
Finance lease receivables	30,103	853,222	-	-	-	883,325	18,410	901,735
Property, plant and equipment	-	-	-	-	-	-	136,683	136,683
Intangible assets	-	-	-	-	-	-	7,977	7,977
Deferred income tax assets	-	-	-	-	-	-	2,872	2,872
Other assets	24	28,141	699	7	497	29,368	7,085	36,453
Total assets	283,481	9,378,816	7,834	994	37,221	9,708,346	4,249,304	13,957,650
Liabilities and shareholders' equity								
Due to banks	246,394	7,170,748	33	129	22	7,417,326	80,764	7,498,090
Derivative financial instruments	-	41,581	-	-	-	41,581	8,640	50,221
Due to customers	116,555	608,197	3,366	226	14,708	743,052	3,078,480	3,821,532
Debt securities in issue	3,951	427,023	-	-	12,303	443,277	735,771	1,179,048
Current income tax liabilities	-	-	-	-	-	-	9,634	9,634
Subordinated loans	-	405,387	-	-	-	405,387	-	405,387
Other liabilities	571	2,933	35	-	32	3,571	46,813	50,384
Shareholders' equity	-	(12,980)	-	-	-	(12,980)	956,334	943,354
Total liabilities and shareholders' equity	367,471	8,642,889	3,434	355	27,065	9,041,214	4,916,436	13,957,650
Net balance sheet position	(83,990)	735,927	4,400	639	10,156	667,132	(667,132)	-
Off-balance sheet position	82,500	(883,719)	(3,800)	-	(1,675)	(806,694)	815,473	8,779
Net open position	(1,490)	(147,792)	600	639	8,481	(139,562)	148,341	8,779

The Group's open positions of prevailing currencies as at 31 December 2007 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets	129,583	6,489,871	9,281	1,438	58,380	6,688,553	4,724,653	11,413,206
Liabilities and shareholders' equity	165,053	6,115,383	8,138	1,156	43,371	6,333,101	5,080,105	11,413,206
Net balance sheet position	(35,470)	374,488	1,143	282	15,009	355,452	(355,452)	-
Off balance position	39,023	(333,879)	(942)	-	(4,531)	(300,329)	296,346	(3,983)
Net position	3,553	40,609	201	282	10,478	55,123	(59,106)	(3,983)

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

NOTE 34 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

The Bank's open positions of prevailing currencies as at 31 December 2008 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	11,119	54,446	6,898	753	17,720	90,936	393,419	484,355
Due from banks	3,283	158,196	237	234	10,037	171,987	30,447	202,434
Trading securities	-	58,188	-	-	-	58,188	619	58,807
Securities designated at fair value through profit or loss	-	295,944	-	-	-	295,944	-	295,944
Derivative financial instruments	597	26,687	-	-	-	27,284	13,412	40,696
Securities available for sale	795	596,508	-	-	8,967	606,270	-	606,270
Loans and advances to customers	269,677	7,334,538	-	-	-	7,604,215	3,656,725	11,260,940
Investments in subsidiaries	-	-	-	-	-	-	8,900	8,900
Property, plant and equipment	-	-	-	-	-	-	120,519	120,519
Intangible assets	-	-	-	-	-	-	7,415	7,415
Deferred income tax assets	-	-	-	-	-	-	2,235	2,235
Other assets	24	2,438	37	3	497	2,999	9,999	12,998
Total assets	285,495	8,526,945	7,172	990	37,221	8,857,823	4,243,690	13,101,513
Liabilities and shareholders' equity								
Due to banks	246,394	6,279,651	33	129	22	6,526,229	80,764	6,606,993
Derivative financial instruments	-	41,581	-	-	-	41,581	8,640	50,221
Due to customers	116,555	644,455	3,366	226	14,708	779,310	3,079,387	3,858,697
Debt securities in issue	3,951	427,023	-	-	12,303	443,277	735,771	1,179,048
Current income tax liabilities	-	-	-	-	-	-	9,349	9,349
Subordinated loans	-	405,387	-	-	-	405,387	-	405,387
Other liabilities	569	976	35	-	32	1,612	45,917	47,529
Shareholders' equity	-	(12,980)	-	-	-	(12,980)	957,269	944,289
Total liabilities and shareholders' equity	367,469	7,786,093	3,434	355	27,065	8,184,416	4,917,097	13,101,513
Net balance sheet position	(81,974)	740,852	3,738	635	10,156	673,407	(673,407)	-
Off-balance sheet position	82,500	(883,719)	(3,800)	-	(1,675)	(806,694)	772,877	(33,817)
Net open position	526	(142,867)	(62)	635	8,481	(133,287)	99,470	(33,817)

The Bank's open positions of prevailing currencies as at 31 December 2007 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets	125,856	5,773,114	9,281	1,383	58,380	5,968,014	4,663,455	10,631,469
Liabilities and shareholders' equity	165,054	5,357,250	8,138	1,154	43,371	5,574,967	5,056,502	10,631,469
Net balance sheet position	(39,198)	415,864	1,143	229	15,009	393,047	(393,047)	-
Off balance position	39,023	(333,879)	(942)	-	(4,531)	(300,329)	296,346	(3,983)
Net position	(175)	81,985	201	229	10,478	92,718	(96,701)	(3,983)

According to the regulations approved by the Bank of Lithuania, the overall open position (except EUR) of the bank's calculated capital (see part 7 "Capital management" of the Financial risk management) should not exceed 25% and the open position of each individual foreign currency (except EUR) should not exceed 15% of the bank's calculated capital.

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

NOTE 35 INTEREST RATE RISK

The table below summarises the Group's interest rate risks as at 31 December 2008. Assets and liabilities are shown at their carrying amounts categorised by the earlier of contractual repricing or maturity dates.

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	484,359	-	-	-	-	-	-	484,359
Due from banks	155,167	643	-	-	47,670	-	-	203,480
Trading securities	-	203	201	204	56,668	1,520	11	58,807
Securities designated at fair value through profit or loss	-	35,723	50,176	-	210,045	-	-	295,944
Derivative financial instruments	16,935	963	3,270	893	14,522	4,113	-	40,696
Securities available- for-sale	196,584	409,405	596	322	331	194	1,602	609,034
Loans and advances to customers	523,329	2,177,666	5,559,861	592,051	1,219,204	798,387	309,112	11,179,610
Finance lease receivables	143,232	315,841	403,582	8,937	17,009	13,038	96	901,735
Property, plant and equipment	-	-	-	-	-	-	136,683	136,683
Intangible assets	-	-	-	-	-	-	7,977	7,977
Deferred income tax asset	-	-	-	-	-	-	2,872	2,872
Other assets	20,011	10,798	127	138	6	7	5,366	36,453
Total assets	1,539,617	2,951,242	6,017,813	602,545	1,565,455	817,259	463,719	13,957,650
Liabilities and shareholders' equity								
Due to banks	1,159,220	2,710,048	2,882,375	4,095	334,922	407,430	-	7,498,090
Derivative financial instruments	6,422	3,108	7,187	3,096	9,343	21,065	-	50,221
Due to customers	2,669,432	448,710	385,089	280,055	26,793	11,453	-	3,821,532
Debt securities in issue	95,518	134,330	135,871	159,932	647,318	6,079	-	1,179,048
Current income tax liabilities	-	-	-	9,634	-	-	-	9,634
Subordinated loans	53,128	39,010	304,617	-	-	8,632	-	405,387
Other liabilities	33,301	8,455	1,603	3,122	1,484	866	1,553	50,384
Shareholders' equity	-	-	-	-	-	-	943,354	943,354
Total liabilities and shareholders' equity	4,017,021	3,343,661	3,716,742	459,934	1,019,860	455,525	944,907	13,957,650
Interest rate sensitivity gap	(2,477,404)	(392,419)	2,301,071	142,611	545,595	361,734	(481,188)	-

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

NOTE 35 INTEREST RATE RISK (continued)

The Group's interest rate risks as at 31 December 2007 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	1,563,820	2,724,366	4,681,004	395,964	1,129,248	631,349	287,455	11,413,206
Total liabilities and shareholders' equity	3,983,269	1,583,512	3,259,033	373,001	879,941	595,061	739,389	11,413,206
Interest rate sensitivity gap	(2,419,449)	1,140,854	1,421,971	22,963	249,307	36,288	(451,934)	-

The Bank's interest rate risk as at 31 December 2008 is as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	484,355	-	-	-	-	-	-	484,355
Due from banks	154,764	-	-	-	47,670	-	-	202,434
Trading securities	-	203	201	204	56,668	1,520	11	58,807
Securities designated at fair value through profit or loss	-	35,723	50,176	-	210,045	-	-	295,944
Derivative financial instruments	16,935	963	3,270	893	14,522	4,113	-	40,696
Securities available- for-sale	196,576	408,850	-	-	-	-	844	606,270
Loans and advances to customers	529,270	2,177,666	5,608,108	592,051	1,239,230	805,503	309,112	11,260,940
Investments in subsidiaries	-	-	-	-	-	-	8,900	8,900
Property, plant and equipment	-	-	-	-	-	-	120,519	120,519
Intangible assets	-	-	-	-	-	-	7,415	7,415
Deferred income tax asset	-	-	-	-	-	-	2,235	2,235
Other assets	7,994	1	80	1	5	7	4,910	12,998
Total assets	1,389,894	2,623,406	5,661,835	593,149	1,568,140	811,143	453,946	13,101,513
Liabilities and shareholders' equity								
Due to banks	957,126	2,541,383	2,362,037	4,095	334,922	407,430	-	6,606,993
Derivative financial instruments	6,422	3,108	7,187	3,096	9,343	21,065	-	50,221
Due to customers	2,706,194	449,113	385,089	280,055	26,793	11,453	-	3,858,697
Debt securities in issue	95,518	134,330	135,871	159,932	647,318	6,079	-	1,179,048
Current income tax liabilities	-	-	-	9,349	-	-	-	9,349
Subordinated loans	53,128	39,010	304,617	-	-	8,632	-	405,387
Other liabilities	22,393	8,127	1,366	2,998	11,229	1	1,415	47,529
Shareholders' equity	-	-	-	-	-	-	944,289	944,289
Total liabilities and shareholders' equity	3,840,781	3,175,071	3,196,167	459,525	1,029,605	454,660	945,704	13,101,513
Interest rate sensitivity gap	(2,450,887)	(551,665)	2,465,668	133,624	538,535	356,483	(491,758)	-

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

NOTE 35 INTEREST RATE RISK (continued)

The Bank's interest rate risks as at 31 December 2007 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	1,398,017	2,502,625	4,336,282	388,489	1,114,600	627,846	263,610	10,631,469
Total liabilities and shareholders' equity	3,592,971	1,387,734	3,068,065	372,355	878,125	594,277	737,942	10,631,469
Interest rate sensitivity gap	(2,194,954)	1,114,891	1,268,217	16,134	236,475	33,569	(474,332)	-

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

NOTE 36 RELATED PARTY TRANSACTIONS

The balances of loans granted by the Group to management and close family members, deposits accepted as at the end of the period are as follows:

	Balances of deposits		Principal of loans outstanding	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Management of the Group and close family members of management	2,271	2,970	22,824	8,981

In 2008 the total compensations for the Group management approximated LTL 4,613 thousand (in 2007– LTL 3,766 thousand). In 2008 the total compensations for the Bank's management approximated LTL 3,566 thousand (in 2007 – LTL 2,832 thousand).

The following balances were outstanding with Bank DnB NORD A/S (the parent company):

Assets	2008	2007
Derivative financial instruments	5,521	-
Receivable	1,381	-
Liabilities		
Correspondent bank accounts	-	151
Loans	24,824	614,574
Subordinated loans	240,669	99,065
Accrued expenses for management fee	116	3,719

Income	2008	2007
Net gain (loss) from operations with financial instruments	5,533	-
Other	125	50
Expenses		
Interest	39,399	25,880
Fee and commission	14	-
Other	14,078	7,028

The following balances were outstanding with DnB NOR Group and NORD/LB Group companies:

Assets	2008	2007
Correspondent bank accounts	4,829	20,827
Overnight deposits	41,918	1,408
Term deposits	47,670	44,590
Derivative financial instruments	11,205	47,465
Loans and advances to customers	2	-
Accrued income	33	-
Debt securities	8,967	9,182
Liabilities		
Correspondent bank accounts	410	485
Overnight deposits	-	12,967
Term deposits	6,514,017	4,034,311
Loans	866,272	156,242
Derivative financial instruments	35,289	9,405
Demand deposits	109	-
Subordinated loans	117,078	116,935

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

NOTE 36 RELATED PARTY TRANSACTIONS (continued)

Income	**2008**	**2007**
Interest	12,031	7,408
Fee and commission	1,194	15
Net gain (loss) from foreign exchange	(101)	(58)
Net gain (loss) from operations with financial instruments	6,912	2,341
Other	39	484
Expenses		
Interest	285,543	130,625
Fee and commission	63	178
Other	178	-

The following balances were outstanding on the Bank balance sheet with subsidiaries:

Assets	**2008**	**2007**
Loans	81,330	58,943
Equity securities	8,900	7,200
Other assets	3,729	187
Liabilities		
Demand deposits	505	885
Term deposits	36,660	13,555

The main income/expenses of the Bank from transactions with subsidiaries are as follows:

Income	**2008**	**2007**
Interest	4,395	3,582
Fee and commission	6,444	5,576
Dividends	487	1,310
Other	190	67
Expenses		
Interest	216	37
Fee and commission	126	73
Other	305	165

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary cource of business. The interest charged to and by related parties are at normal commercial rates.

NOTE 37 CONCENTRATION EXPOSURE

According to the regulations approved by the Bank of Lithuania, maximum exposure per one borrower may not exceed 25 per cent of bank calculated capital. The total of large loans granted by a bank may not exceed 800 per cent of bank calculated capital. In 2007 and 2008 the Bank complied with maximum exposure to one borrower and the large exposure requirements set by the Bank of Lithuania. As at 31 December 2008, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, amounted to LTL 172 million (total amount represents commitments to provide credit facilities), which is 13.12 % of the Bank's calculated capital (2007: LTL 133 million and 15.24% respectively); the total large loans ratio as at 31 December 2008 is 89.19 % of the Bank's calculated capital (2007: 127.12 % respectively).

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

NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS

According to local legislation Bank is required to prepare financial group consolidated financial information. Financial group includes the Bank and subsidiaries engaged in financial service activities, that is U*AB DnB NORD Lizingas* and UAB DnB NORD Investicijų Valdymas. In 2008 Financial group complied with all prudential ratios set by the Bank of Lithuania. Financial group consolidated income statement, balance sheet, statement of changes in shareholder's equity and cash flow statement are presented in this note below:

FINANCIAL GROUP INCOME STATEMENT

	Financial Group	
	2008	**2007**
Interest income	817,261	529,911
Interest expense	(508,710)	(287,684)
Net interest income	308,551	242,227
Fee and commission income	85,246	73,778
Fee and commission expense	(17,316)	(14,964)
Net interest, fee and commission income	376,481	301,041
Net gain on operations with securities and derivative financial instruments	(2,922)	7,029
Net foreign exchange gain	9,953	16,335
Impairment losses and provisions	(99,756)	(20,139)
Other income	7,267	6,315
Personnel expenses	(96,895)	(89,259)
Depreciation and amortisation	(19,016)	(16,270)
Other administrative expenses	(90,842)	(73,290)
Profit before income tax	84,270	131,762
Income tax	(13,455)	(24,121)
Net profit for the year	70,815	107,641

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

NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP BALANCE SHEET

	Financial Group	
	31 December 2008	31 December 2007
ASSETS		
Cash and balances with central banks	484,359	475,595
Due from banks	203,480	327,329
Trading securities	58,807	3,214
Securities designated at fair value through profit or loss	295,944	-
Derivative financial instruments	40,696	98,821
Securities available-for-sale	609,034	727,073
Loans and advances to customers	11,179,610	8,810,340
Finance lease receivables	901,735	754,338
Investments in subsidiaries	2,700	1,000
Property, plant and equipment	136,535	129,699
Intangible assets	7,903	8,850
Deferred income tax asset	2,872	780
Other assets	36,260	76,769
Total assets	**13,959,935**	**11,413,808**
LIABILITIES		
Due to banks	7,498,090	4,943,502
Derivative financial instruments	50,221	11,736
Due to customers	3,821,930	4,249,607
Debt securities in issue	1,179,048	1,116,124
Current income tax liabilities	9,634	17,798
Subordinated loans	405,387	263,570
Other liabilities	50,139	78,111
Total liabilities	**13,014,449**	**10,680,448**
SHAREHOLDERS‘ EQUITY		
Ordinary shares	590,999	363,692
Share premium	277,218	205,747
Retained earnings	72,120	161,890
Reserves	5,149	2,031
Total shareholders‘ equity	**945,486**	**733,360**
Total liabilities and equity	**13,959,935**	**11,413,808**

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

NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary shares	Share premium	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	Total
Balance as at 31 December 2006	**311,736**	**92,800**	**(277)**	**3,875**	**907**	**57,374**	**466,415**
Net changes in available-for-sale securities revaluation, net of tax	-	-	(5,599)	-	-	-	(5,599)
Transfer to retained earnings	-	-	-	-	(44)	44	-
Total income and expenses for the year recognised directly in equity			(5,599)		(44)	44	(5,599)
Net profit for the year	-	-	-	-	-	107,641	107,641
Total income and expense for the year	-	-	(5,599)	-	(44)	107,685	102,042
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	51,956	112,947	-	-	-	-	164,903
Transfer to mandatory reserve	-	-	-	3,169	-	(3,169)	-
Balance as at 31 December 2007	**363,692**	**205,747**	**(5,876)**	**7,044**	**863**	**161,890**	**733,360**
Net changes in available-for-sale securities revaluation, net of tax	-	-	(4,956)	-	-	-	(4,956)
Transfer to retained earnings	-	-	-	-	(21)	21	-
Total income and expenses for the year recognised directly in equity	-	-	(4,956)	-	(21)	21	(4,956)
Net profit for the year	-	-	-	-	-	70,815	70,815
Total income and expense for the year	-	-	(4,956)	-	(21)	70,836	65,859
Increase of share capital (by issuing ordinary registered shares from the own funds of the Bank)	181,846	(29,335)	-	-	-	(152,511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45,461	100,806	-	-	-	-	146,267
Transfer to mandatory reserve	-	-	-	8,095	-	(8,095)	-
Balance as at 31 December 2008	**590,999**	**277,218**	**(10,832)**	**15,139**	**842**	**72,120**	**945,486**

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

NOTE 38 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP CASH FLOW STATEMENT

	Financial Group	
	2008	2007
Operating activities		
Interest receipt	735,208	483,871
Interest payments	(441,863)	(206,605)
Collected previously written-off loans	3,277	4,050
Receipts from FX trading	17,740	8,618
Net receipt from operations in securities	7,202	7,214
Fee and commission receipt	85,246	75,211
Fee and commission payments	(17,316)	(16,397)
Salaries and related payments	(110,359)	(68,072)
Other payments	(84,575)	(70,466)
Net cash flow from operating profits before changes in operating assets and liabilities	194,560	217,424
(Increase) decrease in operating assets		
(Increase) decrease in loans to credit and financial institutions	217,974	(222,618)
(Increase) in loans granted	(2,475,083)	(2,867,867)
Purchase of trading securities	(185,073)	(25,632)
Proceeds from trading securities	127,741	46,513
(Increase) decrease in other short-term assets	(142,612)	(307,521)
Change in operating assets	(2,457,053)	(3,377,125)
Increase (decrease) in liabilities		
Increase (decrease) in liabilities to credit and financial institutions	2,420,924	1,052,938
Increase (decrease) in deposits	(423,113)	1,122,272
Increase (decrease) in other liabilities	(10,771)	(15,718)
Change in liabilities	1,987,040	2,159,492
Income tax paid	(22,441)	(10,348)
Net cash flow from (to) operating activities	(297,894)	(1,010,557)
Investing activities		
Acquisition of property, plant , equipment and intangible assets	(16,907)	(40,946)
Disposal of property, plant, equipment and intangible assets	6,569	3,814
Purchase of available for sale securities	(13,498)	(309,393)
Proceeds from available for sale securities	123,876	120,349
Purchase of securities designated at fair value through profit or loss	(292,121)	-
Proceeds from securities designated at fair value through profit or loss	2,942	-
Dividends received	6	3
Interest received	34,688	24,427
Investment in subsidiaries (acquired)	(1,700)	(1,000)
Net cash flow to investing activities	(156,145)	(202,746)
Financing activities		
Own debt securities redemption	(1,319,257)	(968,509)
Own debt securities issued	1,438,855	1,457,633
Increase in share capital	146,267	164,903
Received subordinated loans	141,565	63,876
Interest paid	(57,612)	(35,781)
Received loans	224,432	552,448
Repaid loans	(103,584)	-
Net cash flow from financing activities	470,666	1,234,570
Net increase in cash and cash equivalents	16,627	21,267
Net foreign exchange difference	358	7,690
Cash and cash equivalents at beginning of year	534,972	506,015
Cash and cash equivalents as at 31 December	551,957	534,972

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

NOTE 39 POST BALANCE SHEET EVENTS

On 11 February 2009 the Securities Commission of the Republic of Lithuania approved the circular of the voluntary non-competitive takeover bid of Bank DnB NORD A/S (Denmark) - the largest shareholder of *AB DnB NORD Bankas* - seeking to acquire all the remaining 324,998 (three hundred twenty four thousand nine hundred ninety eight) ordinary registered shares of *AB DnB NORD Bankas* with a nominal value 115 Litas each (securities' ISIN code LT0000100174). Takeover bid price - 125 Litas per ordinary registered share. The takeover bid is submitted with the condition that Bank DnB NORD A/S acquires at least 292,499 (two hundred ninety two thousand four hundred ninety nine) ordinary registered shares. The voluntary takeover bid will start on 18 February 2009 and will last 30 calendar days.