

Securities Commission of the Republic of Lithuania

19 05 2011

*Nm. 30.21-131/59*

## Annual confirmation of responsible persons

This confirmation of responsible persons regarding consolidated annual report, separate and consolidated financial statements of AB DnB NORD Bankas as of 31 December 2010 are provided following Law of Republic of Lithuania on securities, dated 18 January 2007 and Lithuanian Securities Commission resolution No. 1K-3 on rules of disclosure and submission of periodic and additional information, dated 23 February 2007.

We, responsible persons, confirm that to the best of our knowledge, provided separate and consolidated financial statements are prepared in accordance with International Financial Reporting standards, gives a true and fair view of the assets, liabilities, financial position and profit of the Bank and consolidated subsidiaries, as well as the consolidated annual report includes a fair review of the development and performance of the business.

President



Bjornar Lund

Acting Chief Accountant



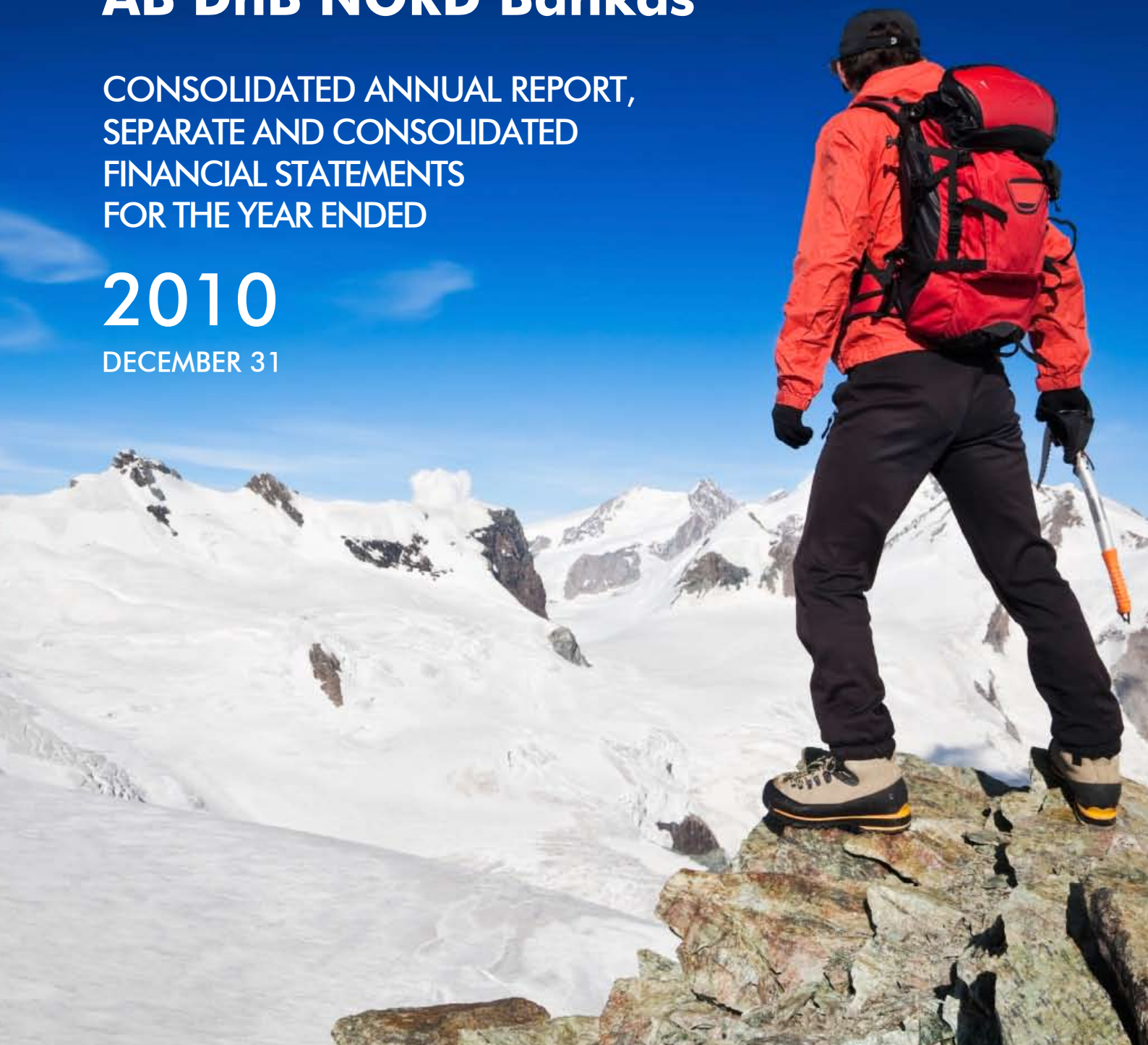
Audrius Cicenas

# AB DnB NORD Bankas

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

# 2010

DECEMBER 31



**DnB NORD** Bankas  
*Jūsų finansų gidas*

## **CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT                             | 3           |
| AB DnB NORD Bankas GROUP CONSOLIDATED 2010 ANNUAL REPORT | 4           |
| THE GROUP AND BANK INCOME STATEMENT                      | 53          |
| THE GROUP AND BANK STATEMENT OF FINANCIAL POSITION       | 55          |
| GROUP STATEMENT OF CHANGES IN EQUITY                     | 56          |
| BANK STATEMENT OF CHANGES IN EQUITY                      | 57          |
| GROUP AND BANK STATEMENT OF CASH FLOWS                   | 58          |
| GENERAL BACKGROUND                                       | 60          |
| ACCOUNTING POLICIES                                      | 61          |
| FINANCIAL RISK MANAGEMENT                                | 73          |
| SEGMENT INFORMATION                                      | 94          |
| NOTES TO THE FINANCIAL STATEMENTS                        | 96          |

## INDEPENDENT AUDITOR'S REPORT



**ERNST & YOUNG**

**UAB „Ernst & Young Baltic“**

Subačiaus g. 7  
LT-01302 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-01302 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 shareholder of AB DnB NORD Bankas

#### Report on the Financial Statements

We have audited the accompanying financial statements of AB DnB NORD Bankas, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Bank") and consolidated financial statements of the Bank together with its subsidiaries (hereinafter the "Group"), which comprise the statement of financial position as at 31 December 2010, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

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

The Bank's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *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 about 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*

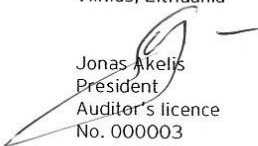
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AB DnB NORD Bankas and the Group as at 31 December 2010, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

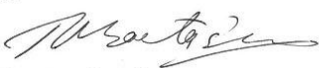
#### Report on Other Legal and Regulatory Requirements

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

Furthermore, we have read the accompanying Group's Consolidated Annual Report for the year ended 31 December 2010 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2010.

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

  
Jonas Akelis  
President  
Auditor's licence  
No. 000003

  
Ramūnas Bartašius  
Auditor's licence  
No. 000362

The audit was completed on 18 February 2011.

A member firm of Ernst & Young Global

## AB DnB NORD BANKAS GROUP CONSOLIDATED 2010 ANNUAL REPORT

### 1. Reporting period covered by this report

This Consolidated Annual Report covers the period from 1 January 2010 to 31 December 2010.

### 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                         | <a href="mailto:info@dnbnord.lt">info@dnbnord.lt</a>                            |
| Website                        | <a href="http://www.dnbnord.lt">www.dnbnord.lt</a>                              |

### 3. Main activities of the issuer

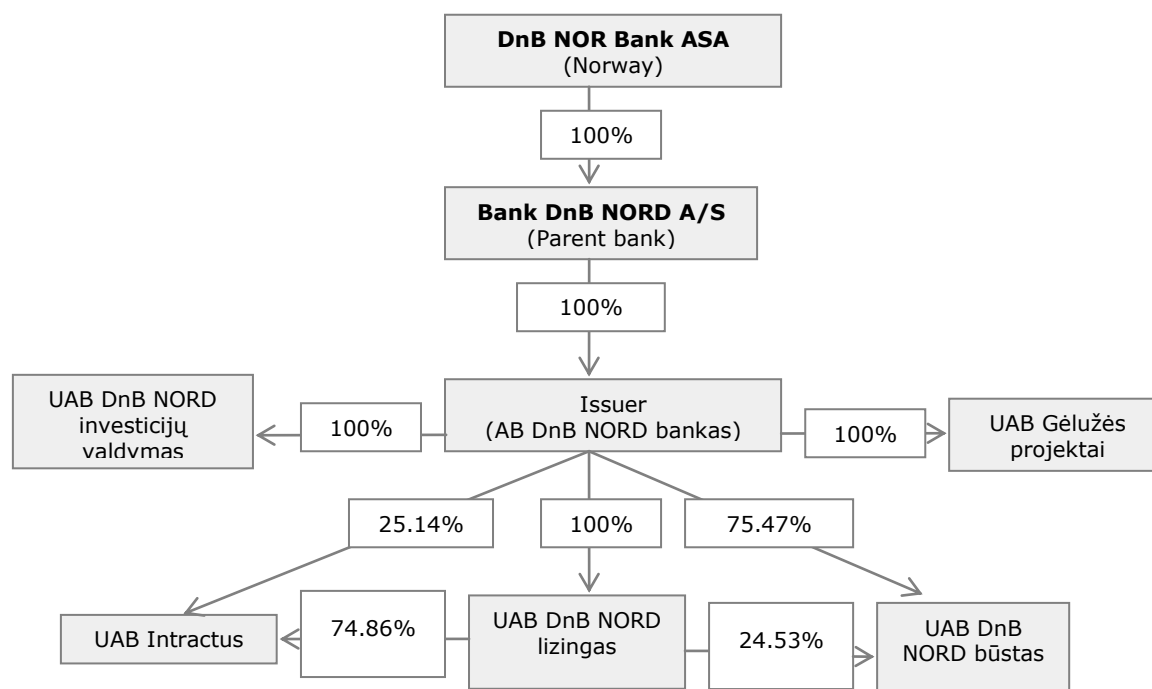
AB DnB NORD Bankas (hereinafter referred to as the "Bank" or the "Issuer") is a credit institution holding a licence for and is engaged in acceptance of deposits and other repayable funds from unprofessional market players and lending, as well as provision of other financial services, and assumes the risks and liabilities related thereto.

The Bank 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.

As of 31 December 2010 AB DnB NORD Bankas Group (hereinafter referred to as "the Group") in Lithuania consisted of AB DnB NORD Bankas and its subsidiaries UAB DnB NORD Investicijų Valdymas, UAB DnB NORD Lizingas, UAB DnB NORD Būstas, UAB Intractus and UAB Gėlužės projektai. Comprehensive data regarding the subsidiaries of the Bank and their activity are described in Article 12 of this consolidated annual report.

**The organization structure of the Group and the Issuer**



On 30 December 2009, the Board of Directors of Norway's largest financial institution *DnB NOR Bank ASA* announced its decision to initiate the evaluation period of the shareholder agreement between *DnB NOR Bank ASA* and Germany's *Norddeutsche Landesbank Girozentrale (NORD/LB)* regarding *Bank DnB NOR A/S*. These banks owned respectively 51 and 49 percent of *Bank DnB NOR A/S* shares. After the expiry of the evaluation period, *DnB NOR Bank ASA* had expressed its will to execute the right to acquire *NORD/LB*'s ownership interest of 49 percent in *Bank DnB NOR A/S*. On 23 December 2010 *NORD/LB* transferred 49 percent of *Bank DnB NOR A/S* share portfolio to *DnB NOR Bank ASA*, which from this date became the sole owner of *Bank DnB NOR A/S*, this way increasing indirect control of *AB DnB NOR Bankas* to 100 percent from 51 percent.

Implementing the squeeze-out procedure of the Issuer's shares and acting in accordance with Part 11 of Article 37 of the Law on Securities of the Republic of Lithuania, on 22 July 2009 *Bank DnB NOR A/S* applied to the court asking to oblige the account managers to make records in securities accounts on transfer of ownership of the shares to *Bank DnB NOR A/S* from the shareholders who have failed to sell their shares during the implementation of squeeze-out. On 17 December 2009 Second District Court of Vilnius City satisfied the application of *Bank DnB NOR A/S* to establish the fact of legal importance regarding the transfer of ownership rights to 4 371 shares of the Issuer to *Bank DnB NOR A/S*. After the execution of the abovementioned court decision by the accounts managers, on 1 February 2010 *Bank DnB NOR A/S* has completed the implementation of the squeeze-out procedure of Issuer's shares and has become the sole shareholder of the Issuer, possessing 100 percent of shares and votes of the Issuer.

On 3 June 2010 *AB DnB NOR Bankas* acquired 100 percent ordinary registered shares in *UAB Gėlužės projektai* that provide the same amount of voting rights in its shareholders' meeting with the aim of efficient management of the company's assets in the interest of the Bank as the creditor.

On 27 December 2010 the increased authorized capital of the Bank's subsidiary *UAB Intractus* was registered. Newly issued shares were acquired by non-monetary contributions of the Bank and *UAB DnB NOR lizingas*. As the result, the Bank's ownership in *UAB Intractus* came to 25.14 percent with *UAB DnB NOR lizingas* holding 74.86 percent stake in the company as at the end of 2010.

**4. Structure of the authorized capital**

The authorized capital of the Bank is LTL 656,665,410 (six hundred fifty six million six hundred sixty five thousand four hundred ten). It is divided into 5,710,134 (five million seven hundred ten thousand one hundred thirty four) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

In the reporting period the authorized capital of the Bank remained unchanged. On 30 March 2010 the reserve capital of *AB DnB NOR Bankas* was increased by EUR 20 million (LTL 69 million). The Bank's reserve capital was increased by a monetary contribution of the Bank's sole shareholder - *Bank DnB NOR A/S* - within a framework of consistent strengthening of the Bank's capital base.

As of 31 December 2010 the share capital of *AB DnB NORD Bankas* consisted of:

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

The entire authorized capital of *AB DnB NORD Bankas* is paid up and no restrictions 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).

In 2010 *AB DnB NORD Bankas* did not own its own shares. During the reporting period *AB DnB NORD Bankas* neither acquired nor sold to the third parties its own shares or the shares of its subsidiaries, except the purchase of 100 percent of the shares of *UAB Gėlužės projektai* on 3 June 2010, the event described in detail in Article 3 of this Annual Consolidated Report.

No restrictions other than those provided by the legal acts or described in this Annual Consolidated Report 2010 apply to the securities of *AB DnB NORD Bankas* and there are no requirements to receive approval from the Issuer or other holders of securities.

**The history of the Issuer's authorized capital formation:**

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

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

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

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

In June 2005 the largest shareholder of the Issuer, *NORD/LB* signed an agreement with Norway's financial service group *DnB NOR Bank ASA* regarding the establishment of the new bank in the North East Europe. The newly established Bank started its activity on 2 January 2006 under the 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 *Bank DnB NORD A/S* entitling 51 percent of votes in the general meeting of shareholders and constituting 51 percent of the authorized capital. In such a way Norwegian bank *DnB NOR Bank ASA* acquired an indirect control over the Issuer. The new name of the Issuer - *AB DnB NORD Bankas* – and the Bank's by-laws regarding the change were registered on 12 May 2006 in the Register of Legal Entities of the Republic of Lithuania.

On 23 December 2010 *NORD/LB* bank transferred 49 percent of *Bank DnB NORD A/S* shares to Norway's *DnB NOR Bank ASA*, thus increasing its indirect control of *AB DnB NORD Bankas* to 100 percent from 51 percent.

## 5. Shareholders

On 31 December 2010 *Bank DnB NORD A/S* was the sole shareholder of *AB DnB NORD Bankas*.

| Shareholder       | Office address                             | Type of the company | Code     | Number of ordinary registered shares | Share of the authorized capital held and number of votes, percent |                 |
|-------------------|--|---------------------|----------|--------------------------------------|---|-----------------|
|                   |  |                     |          |                                      | Owned   | With associates |
| Bank DnB NORD A/S | Dampfaergevej 28, 2100 Copenhagen, Denmark | Bank                | 28691947 | 5,710,134                            | 100   | 100             |

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

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

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

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

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

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

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



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

As of 31 December 2010 the following ISDA Master Agreements and TBMA/ISMA Global Master Repurchase Agreement, whereby the counterparties thereto have the right to terminate the transactions with the Issuer in case of a change in the Issuer's control, were in force:

- ISDA Master Agreement with UBS Limited dated 13 January 2006;
- ISDA Master Agreement with UBS AG dated 13 January 2006;
- ISDA Master Agreement with Calyon dated 15 November 2007;
- ISDA 2002 Master Agreement with JPMorgan Chase Bank N.A. dated 19 May 2008;
- ISDA Master Agreement with Barclays Bank Plc dated 18 December 2008;
- ISDA 2002 Master Agreement with Deutsche Bank AG dated 19 February 2009;
- ISDA 2002 Master Agreement with BNP Paribas S.A. dated 22 June 2009;
- TBMA/ISMA Global Master Repurchase Agreement with AB SEB Bank dated 29 October 2009;
- ISDA 2002 Master Agreement with Svenska Handelsbanken AB (publ.) dated 2 June 2010.

As of 31 December 2010 the Issuer also had the Finance Contract dated 13 March 2009 with the European Investment Bank, whereby the European Investment Bank has the right to terminate the Finance Contract in case of a change in the Issuer's control if, in the reasonable opinion of the European Investment Bank, such a change in the Issuer's control has or is likely to have a material adverse effect on the future repayment of the loan received under the Finance Contract.

As of 31 December 2010 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.

The change in the Issuer's control after *DnB NOR Bank ASA* had become the sole shareholder of the Issuer on 23 December 2010 had no adverse effect on the aforementioned arrangements.

## 7. Information on securities listed on regulated markets

On 1 February 2010 after *Bank DnB NORD A/S* completed the squeeze-out procedure of *AB DnB NORD Bankas* and became the sole shareholder of the Issuer having 100 percent ownership of its shares and votes, on 12 February 2010, in line with the decision of *AB NASDAQ OMX Vilnius* Board (10 February 2010, report No 10-112) made under the *AB NASDAQ OMX Vilnius* Listing Rules (19.1.6 paragraph), *AB DnB NORD Bankas* shares (ISIN code LT0000100174, the ticker – NDL1L) were delisted from the Secondary List of the stock exchange.

As of 31 December 2010 the following debt securities of *AB DnB NORD Bankas* were listed on regulated markets:

| Name of securities (ISIN code)                   | Regulated market  | Number of securities | Nominal value per unit | Aggregate nominal value | Maturity   |
|--|---|----------------------|------------------------|-------------------------|------------|
| Fixed rate note issue No. 05/2015 (LT0000405052) | NASDAQ OMX Vilnius Stock Exchange list of debt securities | 150,000              | 100 (LTL)              | 15,000,000 (LTL)        | 07 05 2015 |
| Zero coupon note issue No.3/2012 (LT0000402489)  | NASDAQ OMX Vilnius Stock Exchange list of debt securities | 150,000              | 100 (LTL)              | 15,000,000 (LTL)        | 05 03 2012 |

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 Markets Department of the Bank.

## 8. Main characteristics of debt securities issued for public trading

As of 31 December 2010 the par value of debt securities issued by *AB DnB NORD Bankas* for public trading constituted LTL 210.4 million.

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

The main characteristics of the debt securities issued by the Issuer are provided in Annex 1 of this Consolidated 2010 Annual Report.

## 9. Information on relevant agreements with related parties

Information on relevant agreements with related parties is provided in Note 39 of the Financial Statements of the Consolidated Annual Report 2010.

## 10. Material events over the reporting period

AB DnB NORD Bankas Group notified of the following material events that took place in 2010:

On 2 February 2010 AB DnB NORD Bankas notified that after the account managers have implemented the decision of the Second District Court of Vilnius City dated 17 December 2009 regarding the transfer of ownership rights to 4,371 shares of AB DnB NORD Bankas to Bank DnB NORD A/S, Bank DnB NORD A/S completed the squeeze-out procedure of AB DnB NORD Bankas shares on 1 February 2010 and became the sole shareholder of AB DnB NORD Bankas having 100 percent ownership of shares and votes.

On 11 February 2010 AB DnB NORD Bankas announced preliminary unaudited results for the full year 2009 notifying that in the severe economic environment characterized by a sharp decline of the country's gross domestic product, increased number of corporate bankruptcies that negatively affected labour market and disposable household incomes, AB DnB NORD Bankas earned a pre-tax operating profit before provisions of LTL 253.3 million (EUR 73.4 million) in the full year 2009, according to preliminary data calculated in accordance to International Financial Reporting Standards. With customer risks remaining high throughout the year, AB DnB NORD Bankas pursued conservative risk valuation policy and set aside LTL 684.7 million (EUR 198.3 million) in special provisions in 2009. As a result AB DnB NORD Bankas recorded a LTL 382.6 million (EUR 110.8 million) net loss in the full year 2009.

On 17 February 2010 AB DnB NORD Bankas notified that the extraordinary meeting of shareholders (hereinafter - the "Meeting") of the Bank held on 17 February 2010 approved all draft resolutions, i.e. it was resolved to elect dr. Jekaterina Titarenko, Margrethe Melbye Gronn, Andris Ozolinš and Cord Friedrich Konrad Meyer to the Supervisory Council of the Bank. It was also resolved to reduce the number of members of the Supervisory Council to seven from eight amending the wording of article 7.1 of chapter VII of the Bank's Bylaws accordingly. It was established that Margrethe Melbye Gronn, Andris Ozolinš and Cord Friedrich Konrad Meyer will start their office of members of the Supervisory Council after they are granted permits of the Bank of Lithuania to become managers of the Bank.

Dr. Jekaterina Titarenko, Margrethe Melbye Gronn, Andris Ozolinš are representatives of Bank DnB NORD A/S and Cord Friedrich Konrad Meyer represents NORD/LB bank in the Supervisory Council. The newly elected members of the Supervisory Council replaced Jarle Mortensen, Juergen Machalet and Andreas Fischelscher who resigned from their positions on 17 February 2010.

On 26 February 2010 the Bank notified that on 25 February 2010 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 Supervisory Council of the Bank shall be comprised of seven members.

The amended wording of Article 7.1 of Chapter VII of the Bylaws of AB DnB NORD Bankas is as follows:  
"7.1. The Supervisory Council of the Bank shall be a collegial supervisory body supervising the operation of the Bank. The Chairman of the Supervisory Council shall be in charge of the Supervisory Council. The General Meeting shall elect 7 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 four years."

The Bylaws of the Bank were amended in line with the resolution of the sole shareholder Bank DnB NORD A/S as of 17 February 2010.

On 9 March 2010 AB DnB NORD Bankas notified that on 8 March 2010 Fitch Ratings agency revised the outlook of AB DnB NORD Bankas to stable from negative and affirmed its long-term issuer's default rating at "A", short term issuer's default rating at "F1", individual rating at "D/E" and the support rating at "1".

On 19 March 2010 AB DnB NORD Bankas notified that on 18 March 2010 the sole shareholder of AB DnB NORD Bankas - Bank DnB NORD A/S - decided:

1. to acknowledge of 2009 Consolidated Annual Report of the Bank;
2. to approve separate and consolidated financial statements of the Bank of 2009;
3. to distribute the profit (loss) of the Bank. It was decided to transfer the amount of LTL 208.3 million (EUR 60.3 million) from the Bank's mandatory reserve and reserve capital to cover the Bank's distributable loss. It was also decided to transfer the amount of LTL 127.1 million (EUR 36.8 million) in retained loss to the next financial year;
4. to elect close stock company „Ernst & Young Baltic“ as an audit firm to perform audit of the annual financial statements of the Bank for the year 2010 and to authorize the president of the Bank to establish the other terms and conditions of the Agreement on auditing services with audit firm according to the approved by the sole shareholder remuneration amount;
5. to re-elect to the Supervisory Council for the new four-year term of office:
  - 5.1. Thomas Stephan Buerkle;
  - 5.2. Jekaterina Titarenko;
  - 5.3. Margrethe Melbye Gronn;
  - 5.4. Andris Ozolinš;

- 5.5. Cord Friedrich Konrad Meyer;
- 5.6. Torstein Hagen;
- 5.7. Tony Samuelsen.

On 18 March 2010 the Supervisory Council of the Bank elected Thomas Stephan Buerkle as the chairman and Torstein Hagen as the vice-chairman of the Bank's Supervisory Council. The Supervisory Council also re-elected the six-member Management Board of the Bank, i.e. Werner Heinz Schilli, Dr. Vygintas Bubnys, Ramūnas Abazorius, Gundars Andžans, Fredrik Johannes Borch and Šarūnas Nedzinskas to a new four-year-term in office.

In the meeting of the Bank's Management Board held on 18 March 2010, Werner Heinz Schilli was re-elected as the chairman of the Management Board and as the president of the Bank. Dr. Vygintas Bubnys was re-elected as the vice-chairman of the Management Board. Dr. Vygintas Bubnys, Ramūnas Abazorius, Gundars Andžans, Fredrik Johannes Borch, Šarūnas Nedzinskas were also appointed as executive vice-presidents of the Bank.

On 19 March 2010 *AB DnB NORD Bankas* presented 2009 financial statements that include audited separate and consolidated financial statements prepared in accordance with International Financial Reporting Standards and consolidated annual report assessed by the auditors.

The documents were approved by the Bank's sole shareholder - *Bank DnB NORD A/S* on 18 March 2010. Due to decreased deferred tax asset amount that was changed after reviewing assumptions for its recognition, the approved Bank's net loss of LTL 402.6 million (EUR 116.6 million) for the full year 2009 differed from the preliminary net loss of LTL 382.6 million (EUR 110.8 million) reported on 11 February 2010. The approved LTL 431.4 million (EUR 124.9 million) pre-tax loss of the Bank for the full year 2009 was unchanged from the previously reported preliminary data.

On 30 March 2010 *AB DnB NORD Bankas* notified that the Bank's reserve capital was raised by EUR 20 million (LTL 69 million) by monetary contribution of the Bank's sole shareholder *Bank DnB NORD A/S*. The funds were aimed at further consistent strengthening of the Bank's capital base.

On 29 April 2010 *AB DnB NORD Bankas* announced that according to preliminary unaudited data the Bank earned a pre-tax operating profit before provisions of LTL 33.2 million (EUR 9.6 million) in the first three months of 2010. Taking into account constrains in domestic consumption and still depressed labor market as well as evaluating the fact that the economic downturn typically affects the quality of the loan portfolio with a time lag, the bank continued to pursue a conservative customer risk valuation approach and set aside LTL 86.3 million (EUR 25.0 million) in provisions in the first quarter of the year. As a result *AB DnB NORD Bankas* recorded LTL 53.1 million (EUR 15.4 million) net losses for the first quarter of the year.

On 9 July 2010 *AB DnB NORD Bankas* announced preliminary result for the first six months of 2010. According to preliminary un-audited data *AB DnB NORD Bankas* earned a pre-tax operating profit before provisions of LTL 70.4 million (EUR 20.4 million) in the first six months of 2010, however taking into account the impact of sluggish domestic demand and depressed labor market on individual and corporate customers, the bank continued to pursue a conservative customer risk valuation and set aside LTL 200.0 million (EUR 57.9 million) in provisions in the first half of 2010. As a result *AB DnB NORD Bankas* recorded LTL 129.6 million (EUR 37.5 million) pre-tax losses for the first six months of 2010.

On 13 July 2010 *AB DnB NORD Bankas* submitted an application to *AB NASDAQ OMX Vilnius* for listing of LTL 15,000,000 par value notes (ISIN code LT0000405052) on the stock exchange's Bond List. This tranche has been issued in accordance with *AB DnB NORD Bankas* EUR 300,000,000 medium-term notes' issue program No 4R-16.

On 27 August 2010 *AB DnB NORD Bankas* announced that Werner Schilli, the president and the chairman of the Management Board of *AB DnB NORD Bankas* accepted the offer to work as director of Germany's Norddeutsche Landesbank (*NORD/LB*) and be a member of the Management Board of Braunschweigische Landessparkasse (*BLSK*) responsible for Retail Banking (Private Individuals and Small Enterprises) from November 1, 2010.

On 30 September 2010 following the proposal of the Supervisory Council as of 30 September 2010, the Management Board of *AB DnB NORD Bankas* elected deputy chairman of the Management Board Dr. Vygintas Bubnys as its chairman and appointed him as the Bank's President from 1 November 2010. Management Board member Fredrik Borch has been appointed deputy chairman from 1 November 2010. In the 30 September 2010 meeting, the Bank's Supervisory Council also elected Tadas Sudnius, the head of the Bank's Business integration department as a member of the Bank's Management Board and he was appointed executive-vice president of the Bank in charge of back-office operations. Tadas Sudnius was appointed to start his office on 1 October 2010. He replaced Gundars Andžans who was appointed to hold the position of the advisor to the president of *AB DnB NORD Bankas* with executive decision power on IT development related issues.

On 28 October 2010 *AB DnB NORD Bankas* was notified, that Norway's bank *DnB NOR Bank ASA* has concluded an agreement to acquire the German bank *NORD/LB's* 49 per cent ownership interest in *Bank DnB NORD A/S*. Denmark based *Bank DnB NORD A/S* is the sole shareholder of *AB DnB NORD Bankas*.

On 28 October 2010 *AB DnB NORD Bankas* announced preliminary unaudited result for the first nine months of 2010. With Lithuania's economy stabilizing and signs of recovery seen on the country's credit market in the third quarter of the year, according to preliminary un-audited data *AB DnB NORD Bankas* earned a pre-tax operating profit before provisions of LTL 110.3 million (EUR 31.9 million) during the first nine months of 2010.

The economic downturn continued to affect the quality of the loan portfolio and the Bank pursued further a conservative customer risk valuation approach setting aside LTL 47.7 million (EUR 13.8 million) in provisions in the third quarter of the year alone, the amount was more than four times lower compared to the first two quarters of 2010. As a result, the pre-tax loss of *AB DnB NORD Bankas* amounted to LTL 137.5 million (EUR 39.8 million) in the first nine months of 2010, down 53.9 percent year-on-year.

On 10 November 2010 *AB DnB NORD Bankas* announced that on 28 October 2010, 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-19).

On 23 December 2010 *AB DnB NORD Bankas* was notified, that Norway's *DnB NOR Bank ASA* has acquired 49 per cent of the shares in *Bank DnB NORD A/S*, previously owned by Norddeutsche Landesbank Girozentrale (*NORD/LB*), and from this date will own 100 per cent of the shares. *Bank DnB NORD A/S*, registered in Denmark, is the sole shareholder of *AB DnB NORD Bankas*, therefore *DnB NOR Bank ASA* while acquiring the block of shares in *Bank DnB NORD A/S*, has increased indirect control of *AB DnB NORD Bankas* from 51 per cent to 100 per cent.

On 23 December 2010 *AB DnB NORD Bankas* notified that the member of the Bank's Supervisory Council Mr. Cord Meyer has resigned from his functions pursuant the transfer of Germany's *NORD/LB* 49 percent shareholdings in *Bank DnB NORD A/S* group to Norway's *DnB NOR Bank ASA* that became the sole ultimate shareholder of *AB DnB NORD Bankas*. Mr. Cord Meyer is representative of *NORD/LB* bank.

On 27 December 2010 *AB DnB NORD Bankas* submitted an application to *AB NASDAQ OMX Vilnius* for listing of LTL 35,000,000 par value notes (ISIN code LT0000431132) on the stock exchange's Bond List. This tranche has been issued in accordance with *AB DnB NORD Bankas* EUR 300,000,000 notes' issue program (Registration No 4R-16).

On 28 December 2010 *AB DnB NORD Bankas* presented the notifications received from *DnB NOR Bank ASA* and from Norddeutsche Landesbank Girozentrale (*NORD/LB*), regarding indirect acquisition and disposal of voting rights.

Full information on material events related with the Issuer's activities is presented to the Lithuanian Securities Commission, *AB NASDAQ OMX Vilnius* Stock Exchange, Central storage facility, the daily "Lietuvos Rytas", news agencies BNS and ELTA and available on the Bank's website [www.dnbnord.lt](http://www.dnbnord.lt).

## **11. Information on performance results**

With Lithuania's economy returning to path of recovery in 2010, the business environment had balanced out somewhat and operating risks began to ease gradually. The economy was lifted by a marked increase in business activity among customers oriented to export markets, the demand for financial services picked up slightly and there appeared signs of activity in mortgage market in the second half of the year. After a prolonged break there emerged demand for investment projects financing in the third quarter of the year. However taking into account that the situation in Lithuania's domestic consumption and labour market continued to be tight, and in view of the fact that the economic downturn continued to affect the quality of the loan portfolio with a time lag, the Group continued allocating serious efforts and resources to help private and corporate customers serve their liabilities through restructuring to ensure the quality of its loan portfolio.

In still adverse but improving business environment *AB DnB NORD Bankas Group* maintained its strong position among the country's top three banking institutions, was ranked as the best quality financial service provider to customers and sustained the top creditworthiness rating in the local banking industry.

In 2010 *AB DnB NORD Bankas Group* extended LTL 1.2 billion of new credits and its net loan portfolio totaled LTL 8.7 billion as at the end of December 2010. Due to still limited number of projects that met credit risk criteria combined with shrinking volume of loans granted in the preceding years, the Group's loan portfolio decreased by 7.7 percent year-on-year in nominal terms. The nominal loans granted to individual customers went down by 12.7 percent year on year to LTL 4.2 billion while loan portfolio to businesses decreased by annual 3.8 percent to LTL 5.8 billion.

Following the decline of loan portfolio to private individuals and corporates during the year, the Group's assets totaled LTL 11.2 billion as at the end of 2010, down LTL 1.1 billion compared to corresponding period the year before.

Due to an increasing number of active customers and the growth of their funds on individual and corporate deposit accounts, the Group's deposit portfolio rose by 27.1 percent to LTL 4.3 billion as at the end of 2010.

In full year 2010 *AB DnB NORD Bankas Group* operating and other expenses amounted to LTL 207.6 million and its income was LTL 337.6 million. Net interest income made the largest relative weight of 71.7 percent. Non-interest income of the Group accounted for 28.35 percent of the total net operating income.

As a result *AB DnB NORD Bankas Group* earned a pre-tax operating profit before provisions of LTL 130.0 million in full year 2010, however taking into account the impact of still sluggish domestic demand and depressed labour market on individual and corporate customers, the Group continued to pursue a conservative customer risk valuation and set aside LTL 243.1 million in provisions in 2010, LTL 200 million of it in the first six months of the year. Since customer risks eased noticeably in the second half of the year and the Group returned to profit in the fourth quarter, the Group recorded a net loss of LTL 113.1 million in full year 2010, three times lower compared to the same period the year before.

As of 31 December 2010 the return on equity (ROE) of the Group was negative and its cost/income ratio (CIR) was 61.5 percent.

| Year                        | 2008  |      | 2009  |       | 2010  |       |
|-----------------------------|-------|------|-------|-------|-------|-------|
|                             | Group | Bank | Group | Bank  | Group | Bank  |
| Return on equity (percent)  | 8,3   | 8,4  | -46,5 | -45,9 | -13,5 | -14,7 |
| Cost/income ratio (percent) | 53,3  | 51,9 | 44,4  | 41,3  | 61,5  | 57,0  |

Aiming at further increase of service quality, volume of sales and the range of products offered to its customers, the Group continued to pursue its financial guide initiative and has implemented the efficient sales management program SMART designed to increase the number of existing and new customers who choose *DnB NORD* as their home bank, encourage them to actively use various financial services of the Group and maintain high quality of services provided. As at the end of 2010, the Group served comprehensive range of financial services to 652 thousand individual and corporate customers.

On 31 December 2010 *AB DnB NORD Bankas* served its private and corporate customers through a nationwide network consisting of 85 branches and sub-branches. It was the country's third largest customer service network. For the convenience of its customers *AB DnB NORD Bankas* opened a new sub-branch in Elektrėnai in the first half of 2010. In 2011 the Bank intends to look carefully at optimization of its branch network, in view of the efficiency ratios of the outlets and their market potential, therefore in December 2010 it was decided to reduce the number of customer service outlets to 79.

In 2010 the Bank also continued optimization of its ATM network moving them to more convenient for customers and business friendly locations. At the end of year customers of the Bank enjoyed the largest ATM network in Lithuania in 78 cities and towns countrywide - 176 ATMs of *AB DnB NORD Bankas* and 340 ATMs of SEB bank.

In the reporting period the Bank issued 84 thousand new payment cards to its customers, the number representing a 51 percent rise compared with corresponding period the year before. Therefore the number of payment cards issued by *AB DnB NORD Bankas* customers rose to 373 thousand as at the end of 2010. The average turnover of transactions made by payment cards issued by *AB DnB NORD Bankas* rose by 2.6 percent year-on-year to LTL 4,65 billion.

Due to consistent efforts to further improve user-friendliness and functionality of the internet banking system the number of *AB DnB NORD Bankas* internet banking service users increased by 17.5 percent year-on year to 422 thousand. In the reporting year 93 percent of all money transfers were performed via internet banking system.

In 2010 *AB DnB NORD Bankas* was ranked as the best financial service provide in the local banking industry, according to the independent "Mystery shopping" survey carried out by a reputable market research company Spect Dive. The survey carried out in December 2010 and covering all 11 banks providing financial services to individual customers on the local market echoed the findings of surveys carried out by the Bank itself.

To ensure high service level the Bank measured the fulfillment of its Customer Service and Sales Standards and the delivery of the client promise "Your Financial Guide" several times in 2010. The average result of the Mystery Shopping surveys carried out during the year unveiled that the Bank reached its strategic target in terms of service quality for the second year running. That has been achieved due to the responsible attitude of the Group's employees while serving their customers, both individuals and legal entities. Following the findings of the different surveys the Group shall continue focusing on improving the weaker aspects with the aim to keep the promise to its customers and maintain the targeted Customer Service and Sales Standards.

In the reporting year *AB DnB NORD Bankas* that cherishes long-term relationships, had fulfilled its obligations to its social partners, the national men's basketball squad sponsored for nine years running among them, to full extent, clearly demonstrating it is a reliable partner not only in business but also in community life.

### **Retail banking**

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

Aiming at further increase of number of existing and new customers who choose *AB DnB NORD Bankas* as their home bank and encourage them to use various banking services more actively, in 2010 the Bank continued focusing on individual customer service quality and culture, the implementation on processes facilitating a more flexible dealing with customer needs, enhancing of the Bank's brand, service and product awareness.

In line with its financial guide concept, the Group developed a consultation program *DnB NORD financial pyramid*<sup>™</sup> which facilitates more efficient identification of customer needs also introducing savings plan *Money Factory*<sup>™</sup> that provides customers an option to take savings process not just as a possibility for one-off yield, but as a multistep process aimed at consistent and safe increase of savings according to his/hers individual needs and swings in the economic situation. To back the concept the Bank launched savings and investment plans „3, 6, 36” and *Basketball Deposit Plan*. As an alternative option to deposits, the Bank continued to offer retail customers the sovereign bonds of the Republic of Lithuania in the reporting year.

To encourage customers choose DnB NORD as their home bank, the Bank offered a lucrative package to new customers who transfer their salaries to *AB DnB NORD Bankas* accounts. The Bank also developed a special program for senior citizens and Lithuanians working abroad offering its banking services at better than standard terms.

After winning the tender to extend government-backed credits to finance high school studies, the Bank approached students with credit terms ranked among the best on the market, also offering a specially designed service package for the segment. As a result *AB DnB NORD Bankas* accounted for one fourth of the market in 2010 in terms of number of credits extended, according to State Studies' Fund data.

With signs of mortgage market recovery seen in the second half of 2010, the Bank launched specially designed mortgage loan program "*Your first home*", offering customers freedom to repay the credit early free of charge, a free real estate expert consultation and discounts for *UAB DK PZU Lietuva* property insurance and *AB ERGO Lietuva gyvybės draudimas* mortgage loan receiver's investment life insurance.

To serve customers various financial services in one place, *AB DnB NORD Bankas* continued collaboration with insurers *UAB DK PZU Lietuva* and *UAB DK PZU Lietuva Gyvybės Draudimas*. It also started selling life insurance products of *AB ERGO Lietuva gyvybės draudimas* in June, after the insurance group signed contract with *Vital Forsikring ASA* regarding the takeover of the insurance operations of *Vital Forsikring ASA* branch in Lithuania *Vital Life*. As a result of active sales of insurance services, more than 75 percent of new mortgage borrowers of *AB DnB NORD Bankas* were insured with property insurance. More than 79 percent of new express credit borrowers were insured with life insurance and the total number of *AB DnB NORD Bankas* payment cards insured topped 100,000. The travel insurance service in VISA and MasterCard Gold has been supplemented with personal liability insurance, and cardholders have been offered accident insurance.

In September of 2010 the Bank offered the market novelty - *DnB NORD Daily Card* - a discount and charity payment card now opening doors to the bank's customers to discounts in 1 500 partner stores and service outlets. The programme donates charity to *Lithuania's Save the Children fund* to implement the dreams of children in need.

### **Corporate banking and small and medium size enterprises (SME)**

In 2010 the Group maintained its strong position in corporate banking sector due to its long-term constructive relationships with its customers and being fast and flexible decision maker in line with changing customer needs in adverse economic cycle. One of the prime goals of the Bank in corporate banking is to act as a financial guide to its customers consulting and offering comprehensive range of financial products in line with personalized corporate needs thus ensuring long-term relationships.

In 2010 with Lithuania's economy stabilizing and signs of recovery seen on the country's credit market, the Bank saw growing demand for financial products and investment projects financing. However with customer risk remaining high due to the economic downturn effects and slow domestic recovery, the Bank focused on financing projects that were in line with its credit risk criteria targeting to maintain its loan portfolio well balanced between different business segments and economy sectors.

Therefore the Bank's loan portfolio to the public, energy and infrastructure related industries as well as export oriented economy sectors increased marginally in 2010 year-on-year while financing of real estate and rent business saw the biggest decline within the period. Due to efficient credit restructuring the Bank's portfolio in manufacturing, trade and service portfolios have stabilized somewhat.

*AB DnB NORD Bankas* consistently worked with small and medium size enterprises (SMEs) and business startups, this market segment accounting for about one third of its loan portfolio. To offer wider range of financial services to the country's businesses *AB DnB NORD Bankas* continued its cooperation with state agricultural credit fund *UAB Žemės ūkio paskolų garantijos fondas* extending loans for up 7 year maturity on very favorable conditions. On 30<sup>th</sup> of December 2010 the Bank extended the cooperation with the fund for another year term. The Bank also extended preferential credit under Rural Development Programme 2007–2013 measures administered by Credit Fund. In 2010, the Bank continued the cooperation with *UAB Investicijų ir verslo garantijos* fund being one of the most active credit institutions offering loans backed by guarantees of the above-mentioned institutions.

Following introduction of efficient sales organization and control programme *SMART*, the Bank's partnership with SME segment was given a new impetus following new customer segmentation and allocation of a personal relationship manager to each customer.

In 2010 the Bank signed a cooperation agreement with *UAB Litagros prekyba* to extend interest-free loans to farmers and agricultural companies that purchase products from the company. The market novelty's major advantage was that farmers and agricultural corporates get financing collateral free as the credits are backed by guarantees of the state rural credit guarantee fund, while *UAB Litagros prekyba* pays interest on the credit extended by the Bank.

*AB DnB NORD Bankas*, in cooperation with leasing and investment management subsidiaries, offered corporate customers 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.

### **Investment banking**

*AB DnB NORD Bankas* investment banking activity includes trading in securities, liquidity management, funding arrangement for the bank and its subsidiaries, 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, fund-raising and other services.

As of 31 December 2010 outstanding debt securities issued by the Bank totaled LTL 210.4 million at par, out of which LTL 135.8 million were equity and commodity-linked notes.

Fixed income trading was a major contributor to *AB DnB NORD Bankas*' investment banking bottom line in 2010. Total turnover in fixed income securities reached LTL 3.8 billion for the year 2010.

Income from derivatives trading came lower year-on-year reflecting decreased margins and stood at LTL 6 million.

In May 2010 *AB DnB NORD Bankas*, the first bank in Lithuania, launched an online trading platform *DnB NORD Trade™*. The platform offers the opportunity for the investors to trade a wide choice of financial instruments worldwide online at the lowest commissions in Lithuania. Online trading platform *DnB NORD Trade™* offers the widest financial instrument list in one place: FOREX, stocks on more than 20 world's major stock exchanges, CFDs and futures.

## **12. Bank's subsidiaries**

On 31 December 2010 *AB DnB NORD Bankas Group in Lithuania* included the following subsidiaries: *UAB DnB NORD Investicijų Valdymas*, *UAB DnB NORD Lizingas*, *UAB DnB NORD Būstas*, *UAB Intractus* and *UAB Gėlužės projektai*.

The Bank's subsidiaries had no outstanding agreements with public circulation intermediaries as at the end of 2010.

### ***UAB DnB NORD Investicijų Valdymas***

|  |  |
|--|--|
| Name   | <i>UAB DnB NORD Investicijų Valdymas</i>                                   |
| 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, Vilnius, Republic of Lithuania                   |
| Telephone numbers  | (+370 5) 2393 567; (+ 370 5) 2393 773                                      |
| Fax number   | (+370 5) 2393 473  |
| E-mail   | <a href="mailto:investicija@dnbnord.lt">investicija@dnbnord.lt</a>         |
| Website  | <a href="http://www.dnbnord.lt">www.dnbnord.lt</a>                         |
| Number of the permission to be engaged in the activities of a management company | VĮK -003   |

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

The company is ranked third in the country's asset management market. The Company held about 78.5 thousand outstanding contracts and managed three own second-pillar pension funds, two third-pillar pension funds and two investment funds. Its total assets under management increased 47.8 percent year-on year or by LTL 160 million to LTL 495 million as at the end of 2010.

In 2010 the largest share of total assets under *UAB DnB NORD Investicijų Valdymas* management made the second pillar pension funds worth LTL 286.4 million. Third pillar pension funds made LTL 21.1 million. Another LTL 90.1 million customers have invested into two DnB NORD investment funds. The remaining LTL 97.3 million were the portfolios of institutional investors under the company's management.

*UAB DnB NORD Investicijų Valdymas* also provided investment portfolio management services for *UAGDB PZU Lietuva life insurance* and *AB ERGO Lietuva life insurance* companies. According to these agreements, the company had established 10 different strategy investment funds. Company also provided services managing other clients' investment portfolios.

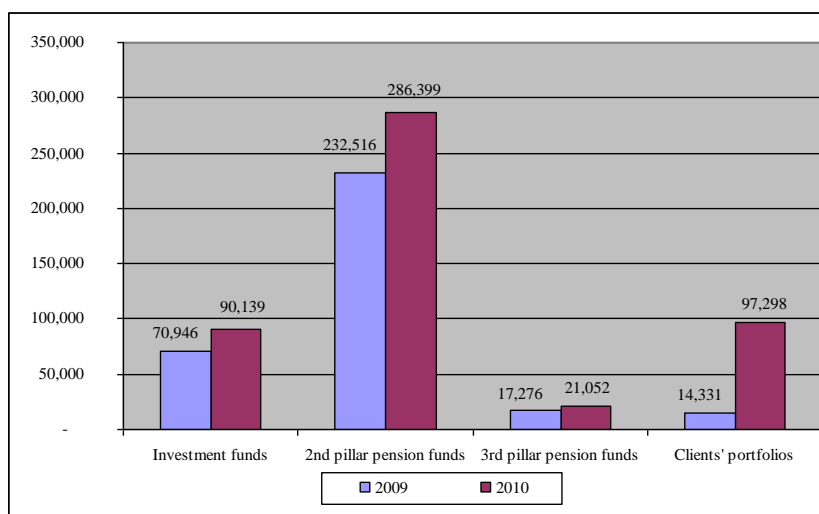
According to Lithuania's Securities Commission data, *DnB NORD Investicijų Valdymas* held 7.43 percent market share in 2010 in second-pillar pension funds' segment, including life insurance companies managing second-pillar funds data (7.13 percent as at the end of 2009). The company held 21.3 percent market share in third-pillar pension funds' segment in 2010 (21.7 percent as at the end of 2009). Six out of seven investment and pension funds' results managed by the company outperformed relevant benchmark index in 2010.

In the reporting year net profit of *UAB DnB NORD investicijų valdymas* was LTL 2.5 million. The company's return on equity (ROE) was 37.2 percent and its cost/income ratio was 30.1 percent, the figures calculated according to International Financial Reporting Standards.

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

- *DnB NORD Investicijų Valdymas* has signed agreement with *AB ERGO Lietuva life insurance* company regarding set up and management of three investment funds. Investment strategy of the funds – conservative (up to 40 percent of equity), balanced (up to 70 percent of equity) and dynamic (up to 100 percent of equity).
- Having won the public tender for providing investment management services, *DnB NORD Investicijų Valdymas* has signed agreement to manage LTL 50 million portfolio of a legal company.
- The performance of *UAB DnB NORD Investicijų Valdymas* was affected by the decision of the country's parliament decision to leave unchanged 2 percent contribution rate to second-pillar pension funds from state social security system in the second half of 2010. Under the previous legislation, the transfer rate must have been re-established back to 5.5 percent from the salary of the fund participant to his personal pension account starting 2011. This means that fund transfers to personal accounts of fund participants in 2011 will remain at the same level as in 2010.

**Assets under management structure in 2010 compared to 2009**



**The performance of the funds as of December 31, 2010**

| Name                               | Investment strategy      | Result for 2010 | In comparison with benchmark index |
|------------------------------------|--------------------------|-----------------|------------------------------------|
| <b>Second Pillar Pension Funds</b> |                          |                 |                                    |
| DnB NORD pensija 1                 | Government bonds         | +4,08%          | +3,16%                             |
| DnB NORD pensija 2                 | Equities up to 25%       | +7,74%          | +3,31%                             |
| DnB NORD pensija 3                 | Equities up to 50%       | +11,32%         | +3,38%                             |
| <b>Third Pillar Pension Funds</b>  |                          |                 |                                    |
| DnB NORD papildoma pensija         | Equities up to 50%       | +12,63%         | +4,68%                             |
| DnB NORD papildoma pensija 100     | Equities up to 100%      | +14,60%         | -0,37%                             |
| <b>Investment Funds</b>            |                          |                 |                                    |
| DnB NORD pinigų rinkos fondas      | Short bonds and deposits | +4,02%          | +3,30%                             |
| DnB NORD akcijų fondų fondas       | Equities                 | +19,61%         | +4,64%                             |



***UAB DnB NORD Lizingas***

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

*UAB DnB NORD Lizingas* is the Bank's subsidiary that provides vehicle, equipment and real estate leasing services to corporates and private individuals. To customer convenience *UAB DnB NORD Lizingas* services are provided using nation-wide *AB DnB NORD Bankas* branch across Lithuania.

Although in 2010 the country's economic downturn has shown signs of recovery that positively affected transport sector, the leasing market continued to decline in 2010 year-on-year. In the declining market *UAB DnB NORD Lizingas* leasing portfolio before provisions fell 29.8 percent year-on-year to LTL 453 million as at the end of December 2010. Its market share was 7.31 percent as of the end of 2010, 0.5 percentage point lower compared to the same period the year before.

In response to market trend *UAB DnB NORD Lizingas* continued to focus on its portfolio quality, credit risk management and further improvement of customer service quality. Starting the second half of 2010 the company also aimed to increase new sales.

On 17<sup>th</sup> December 2010 *UAB DnB NORD Lizingas* took 74.9 percent shareholding in *UAB Intractus* through a LTL 17.2 million non-monetary contribution to the Bank's subsidiary.

***UAB DnB NORD Būstas***

|                                |   |
|--------------------------------|---|
| Name                           | <i>UAB DnB NORD Būstas</i>  |
| 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      | J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania                    |
| Actual office address          | Švitrigailos str. 11M, LT-03228 Vilnius, Republic of Lithuania              |
| Telephone number               | (+370 5) 2499 277   |
| Fax number                     | (+370 5) 2499 276   |
| E-mail                         | <a href="mailto:info@dnbnordbustas.lt">info@dnbnordbustas.lt</a>            |
| Website                        | <a href="http://www.dnbnordbustas.lt">www.dnbnordbustas.lt</a>              |

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

In the reporting year the company carried out its activities in Vilnius, Kaunas, Klaipėda, Mažeikiai, Akmenė and Skuodas and the surrounding regions. At the end of the reporting period two real estate brokerage companies and 22 individual brokers were providing real estate brokerage services under franchise agreements with *UAB DnB NORD Būstas*.

With signs of recovery seen in the real estate market prompted the increase of number of transactions boosting *UAB DnB NORD Būstas* income to LTL 1.3 million in full year 2010, up from LTL 550 thousand the year before. During the reporting period *UAB DnB NORD Būstas* brokers sold real estate assets worth LTL 70.6 million and mediated to customers mortgages loans of the Bank worth LTL 25.9 million.

At the end of 2010 the company's authorized share capital was reduced to LTL 1.38 million from LTL 2.65 million writing off losses of the previous years.

### ***UAB Intractus***

|                                |   |
|--------------------------------|---|
| Name                           | <i>UAB Intractus</i>  |
| Legal status                   | Limited liability company   |
| Date and place of registration | Registered with the State enterprise Centre of Registers on 6 August 2009 |
| Company code                   | 302424698   |
| Registered office address      | J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania                  |
| Actual office address          | Vilniaus str. 18, Vilnius, Republic of Lithuania                          |
| Telephone number               | (+370 5) 2393 514   |
| Fax number                     | (+370 5) 2393 265   |
| E-mail                         | <a href="mailto:intractus@dnbnord.lt">intractus@dnbnord.lt</a>            |
| Website                        | -   |

*UAB Intractus* is a limited liability company set up for efficient management of foreclosed real estate assets. The company is entitled to effect operations and transactions related to the efficient management of real estate, such as buying, selling, letting and development of real estate. In December 2010 the company's authorized capital was increased by additional non-monetary contributions of *AB DnB NORD Bankas* and *UAB DnB NORD Lizingas* bringing their stake in *UAB Intractus* to 25.14 percent and 74.86 percent respectively

*UAB Intractus'* real estate assets on the company's balance sheet stood at LTL 32.7 million as at the end of the reporting year, including real estate like land plots, buildings under construction and non-residential premises.

### ***UAB Gėlužės projektai***

|                                |   |
|--------------------------------|---|
| Name                           | <i>UAB Gėlužės projektai</i>  |
| Legal status                   | Limited liability company   |
| Date and place of registration | Registered with the State enterprise Centre of Registers on 5 August 2005 |
| Company code                   | 300135524   |
| Registered office address      | J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania                  |
| Actual office address          | J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania                  |
| Telephone number               | (+370 5) 2102 130   |
| Fax number                     | (+370 5) 2102 131   |
| E-mail                         | -   |
| Website                        | -   |

A subsidiary of *AB DnB NORD Bankas* *UAB Gėlužės projektai* is a limited liability company. On 3 June 2010 *AB DnB NORD Bankas* acquired 100 percent ordinary registered shares in *UAB Gėlužės projektai* that provide the same amount of voting rights in its shareholders' meeting with the aim of efficient management of the company's assets in the interest of the Bank as the creditor. In September of 2010 the authorized capital of the company was increased to LTL 21.1 million.

The company owns one land plot. At the end of December 2010 the assets on *UAB Gėlužės projektai* balance sheet stood at LTL 7.6 million. During the preparation of this consolidated report, transferring the administration of the above-mentioned assets to the Bank's subsidiary *UAB Intractus* was in process.

## **13. Risk management and ratings**

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

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

The Bank assesses and manages credit, liquidity, market (interest rate, foreign exchange rate, equity price), operational and other risks it is exposed to in its activities. Credit risk is the dominant in the Bank's risk structure. Detailed information about financial risks assessment and management is provided in section Financial Risk Management of the *AB DnB NORD Bankas* 2010 consolidated financial statement. The risk management provisions have not changed during the accounting period, but considering Lithuania's macroeconomic position and market situation, the Bank constantly follows cautiousness principle in its risk management process.

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 prudential requirements set by the Bank of Lithuania and no sanctions were imposed against it.

As at 31 December 2010 AB DnB NORD Bankas held long-term issuer's default rating "A" (outlook stable), short-term rating "F1", individual issuer's rating "D/E" and support rating "1" from Fitch Ratings agency.

| Agency        | Long term borrowing rating/outlook | Short term borrowing rating | Support rating | Individual rating |
|---------------|------------------------------------|-----------------------------|----------------|-------------------|
| Fitch Ratings | A / stable                         | F1                          | 1              | D/E               |

On 8 March 2010 Fitch Ratings revised its AB DnB NORD Bankas long-term issuer's default rating outlook to stable from negative following the improvement of the long-term foreign currency issuer's default rating for the Republic of Lithuania to BBB/stable outlook.

#### 14. Strategy and plans

In 2011 AB DnB NORD Bankas will continue to focus on development of efficient universal banking making use of its existing competitive advantages: *Financial guide* delivery concept assuring a high level of service quality, proactive segment-based customer approach, strong brand awareness in regions and a country-wide branch network being large enough for economies of scale in product development as well as its efficiency of back-office and risk management.

In the still adverse economic environment AB DnB NORD Bankas intends to allocate major attention on the main strategic objectives: cost management / income increase, credit risk management and maintain and develop its market position. Additionally the integration process, due to changes in the bank's ownership composition, into the structure of the sole ultimate shareholder - DnB NOR Bank ASA - will be one of the main priorities during the year 2011.

In retail AB DnB NORD Bankas will further develop the approach of being "*Financial Guide*" to its customers seeking for a long-term relationship and providing them all demanded financial services as their home bank. The aim is to be on a customer's shortlist of 2 or 3 banks for each major banking service decision. A still important role for the 2011 business year will be assigned for continuing the control of the credit performance and proactive loan restructuring for change of credit conditions helping the customers to overcome the financial turmoil. The further business development shall be insured by providing differentiated service levels, using the Financial Advisory Concept per customer segment and aiming to become the main bank for each targeted customer with the help of multi-channel strategy principles and network optimization.

AB DnB NORD Bankas goal in corporate banking for 2011 is to maintain, develop existing and build new mutually beneficial long-term customer relationship, become first / second choice for corporate customers and the country's most transparent, reliable, dynamic and high-quality bank in SME and corporate segments. This will be achieved by concentrating on adequate credit risk management, customer centric approach and sales efficiency.

In the Markets' segment no significant balance sheet risk taking business is planned. The strategy in the Markets' segment is to focus on innovation and higher margin products by applying an open-platform solution while moving all standard products to internet.

In 2011 AB DnB NORD Bankas continues implementation of a unified IT platform, a very important project for all banks of the DnB NORD Group. The new core banking system will provide a strong backbone supporting the continued growth of the Group over the next years. It includes possibility to share products, processes and resources as well as increased "time to market" and economy of scale. The unified IT solution will be the basis for further development of cash management allowing customers to manage their cross-boarder funds easier and more efficiently.

#### 15. Investments

As of the preparation of the 2010 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 reorganization or division of the Issuer and to approve the terms and conditions of the reorganization 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 fulfillment 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 authorized thereby;
- the procedure for the recruitment of employees by the Issuer and the events when recruitment of employees by the Issuer shall be subject to the consent of the Management Board.

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

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

### 17. Supervisory Council and Management Board

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

According to the Bylaws the Supervisory Council of *AB DnB NORD Bankas* consists of seven members. The term of the Supervisory Council is four years and expires on 18 March 2014.

As of 31 December 2010 the Supervisory Council of *AB DnB NORD Bankas* consisted of six members, after the member of the Supervisory Council Cord Friedrich Konrad Meyer resigned from the position on 23 December 2010 after the change in the shareholders' structure of the Bank's parent bank.

Nine meetings of the Supervisory Council were held during the reporting period. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings during the financial year 2010.

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

| Name           | Position   | Information on start and end of holding the office |            | Education   | Information about management competence and experience  |
|----------------|--|--|------------|---|---|
|                |  | Start  | End        |   |   |
| Thomas Buerkle | Chairman of the Supervisory Council  | 18 03 2010   | 18 03 2014 | Berlin University, Master degree in Economics   | President (CEO) and the chairman of the Management Board of AB Bankas „NORD/LB Lietuva (2002-2005);<br>Executive vice president and general manager, NORD/LB, New York branch (2006-2009);<br>Group CEO, Bank DnB NORD AS, Denmark (since 1 February 2009). |
| Torstein Hagen | Member of the Supervisory Council, vice-chairman of the Supervisory Council (since 26 05 2009) | 18 03 2010   | 18 03 2014 | Oslo School of Business and Economics, BMA; University of South Florida, MBA  | Various positions at DnB (1994-2000);<br>Consultant, NTNA INTERNATIONAL MGMT (2000-2002);<br>Representative, NORD/LB (2002-2005);<br>Chief Credit Officer, DnB NORD (since 2005).   |
| Tony Samuelsen | Member of the Supervisory Council  | 18 03 2010   | 18 03 2014 | Norwegian School of Economics and Business Administration, Diploma in Economics and business administration                       | CEO, DnB NOR, New York (1995-1998);<br>CEO, DnB NOR, London (2000-2005);<br>Chief Financial Officer, DnB NORD A/S (2006-2008);<br>Vice-president, DnB NOR (since 2008).   |
| Andris Ozoliņš | Member of the Supervisory Council  | 18 03 2010   | 18 03 2014 | University of Latvia, Diploma in philosophy; Riga Business School of Riga Technical University, Master in Business administration | The member and vice-chairman of the Management Board, AS DnB NORD Banka (Latvia) (1999-2003);<br>Chairman of the Management Board and CEO, AS DnB NORD Banka (Latvia) (since 2004).   |

|                        |                                   |            |            |  |   |
|------------------------|-----------------------------------|------------|------------|--|---|
| Jekaterina Titarenko   | Member of the Supervisory Council | 18 03 2010 | 18 03 2014 | Vilnius University, PhD in Economics;<br>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);<br>Deputy Head of the Unit of Assessment of Financial Activities, Bank of Lithuania (2002-2003);<br>Manager, the Financial Risk Department, AB DnB NORD Bankas (2003-2006). |
| Margrethe Melbye Gronn | Member of the Supervisory Council | 18 03 2010 | 18 03 2014 | University of Oslo, Diploma in philosophy; Norwegian School of Management, Master in Business administration | Vice-president and senior vice-president, DnB NOR (2001-2010);<br>Chief operating officer, Bank DnB NORD group (since 2010).  |

On 18 March 2010 the Supervisory Council re-elected the Management Board of *AB DnB NORD Bankas* for a new four-year term. All the Management Board members have been appointed until the end of the term of office of the Supervisory Council that expires on 18 March 2014. The bylaws of *AB DnB NORD Bankas* provide the Management Board shall consist of six members.

On 1 November 2010 Dr. Vyintas Bubnys started his office of the chairman of the Bank's Management Board and the Bank's Chief Executive Officer. Prior to taking the job he served as the vice-chairman of the Bank's Management Board and executive vice-president. He replaced Werner Heinz Schilli who resigned from the position of the chairman of the Management Board and president of the Bank from 31 October 2010.

On 30 September 2010 the Supervisory Council elected Tadas Sudnius as a member of the Management Board and executive vice-president in charge of back office business processes. He replaced Gundars Andžans in the position from 1 October 2010.

Fredrik Johannes Borch, member of the Management Board responsible for credit risk management, administration special assets department and asset valuation unit, was elected as a vice-chairman of the Management Board, the Supervisor Council's decision effective from 1 November 2010.

On 31 December 2010 the Management Board of *AB DnB NORD Bankas* consisted of five members.

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        |  |   |
| Dr. Vyintas Bubnys | Chairman of the Management Board, President | 18 03 2010   | 18 03 2014 | Vilnius University, PhD, Economist-mathematician | Chairman of the Management Board, AB Lietuvos Taupomasis Bankas (1991 - 1997);<br>Advisor, Deputy Manager, Manager, FBC Balticum Management (1997-2000);<br>Advisor to the Chairman of the Management Board, AB Lietuvos Žemės Ūkio Bankas (2000-2002). |

|                    |   |            |            |  |  |
|--------------------|---|------------|------------|--|--|
| Fredrik J. Borch   | Vice-chairman of the Management Board, Executive Vice-president | 18 03 2010 | 18 03 2014 | University of Tromso (Norway), Bachelor of Marine studies                    | Account officer, Den Norske bank ASA (2000-2004);<br>Bank manager, Nordea bank Norge AS (2004-2006);<br>Account officer/deputy bank manager, DnB NOR bank ASA (2006-2009).   |
| Ramūnas Abazorius  | Member of the Management Board, Executive Vice-president        | 18 03 2010 | 18 03 2014 | Vilnius University, Master in Finance  | Manager of the Asset and Liability Management Team, AB Lietuvos Žemės Ūkio Bankas (1999-2001);<br>Manager of the Asset and Liability Management Unit of the Financial Risk Department, AB Lietuvos Žemės Ūkio Bankas (2001-2003);<br>Manager of the Credit Risk Unit of the Financial Risk Department, NORD/LB (2003-2004);<br>Manager of the Controlling Department, DnB NORD bankas (2004-2010).   |
| Šarūnas Nedzinskas | Member of the Management Board, Executive Vice-president        | 18 03 2010 | 18 03 2014 | Vilnius University, Diploma in Economics;<br>Vytautas Magnus University, MBA | Manager of the Stock Brokerage Division, Deputy Director of the Deposits and Credit Department, Director of the Credit Department, Member of the Management Board, AB Lietuvos Žemės Ūkio Bankas (1994-1997);<br>Vice-chairman of the Management Board, AB bankas Hermis (1998-2000);<br>Director of the Business Development Department, Director of the Financial Institutions Department, Director of the Special Loans Department, AB SEB Vilniaus bankas (2000-2003);<br>Sales Director, UAB Švyturys – Utenos alus (2003-2004);<br>Member of the Board, Director of Business and Risk Department, AB Lietuvos draudimas (2004-2007);<br>Chairman of the Board, AB FMĮ Finasta, Director (2007-2008). |
| Tadas Sudnius      | Member of the Management Board, Executive Vice-president        | 01 10 2010 | 18 03 2014 | Vilnius university, Bachelor in Economics                                    | Expert (2003-2005) and manager (2005-2007) of the Sales Control Unit of the Retail Banking Department, manager of N. Vilnia Customer Service Sub-branch (2005), AB DnB NORD bankas;<br>Manager of the Business Integration Department, AB DnB NORD bankas (2007-2010).   |



The Members of the Supervisory Council and the Management Board had no 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 crimes of forgery. They have not been 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:**

**Dr. Vygintas Bubnys** (Chairman of the Management Board and Chief Executive Officer): graduated from Vilnius University, as economist- mathematician holds PhD. Mr. Bubnys started working in the banking sector in 1991. He has been working in the Bank since 2000 and took the office of the President of the Bank on 1 November 2010.

Previous work record:

Chairman of the Management Board, AB Lietuvos Taupomasis Bankas (1991 – 1997);

Advisor, Deputy Manager, Manager, FBC Balticum Management (1997-2000);

Advisor to the Chairman of the Management Board, AB Lietuvos Žemės Ūkio Bankas (2000-2002)

Dr. Vygintas Bubnys has no shares of the Issuer.

**Jurgita Šaučiūnienė** (Chief Accountant, Manager of the Accounting Department): Master's degree in business management from Vilnius University. Start of holding the office as Manager of the Accounting Department at the Bank in 2004.

Previous work record:

Auditor Assistant, audit company TŪB "J. Kabašinskas ir partneriai" (1997 - 1998);

Member of KŪB, J. Kabašinsko KŪB "JKP konsultacijos" (1998 - 1999);

Agency NORD/LB bank / NORD/LB Vilniaus branch – Account, Chief Accountant (1999-2003);

Head of the Accounting Policy and Accountability Unit, AB bankas "NORD/LB Lietuva" (2003 - 2004).

Jurgita Šaučiūnienė has no shares of the Issuer.

**18. Information on the activities of the Internal Audit Committee**

*AB DnB NORD Bankas* Internal Audit Committee is established by the Supervisory Council of the Bank. During the year 2010 five meetings of the Bank's Internal Audit Committee were held and attended by all its members. On 8 March 2010 the Supervisory Council of the Bank appointed Tony Samuelsen and Cord Mayer as new members of the Bank's Internal Audit Committee. They replaced Jan Kuhnelt and Torstein Hagen in that position. Leif Rene Hansen was reappointed as an independent member of the Internal Audit Committee. In line with the decision of the Supervisory Council meeting held on 8 March 2010, the Internal Audit Committee elected Tony Samuelsen as its chairman on 18 March 2010.

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

**19. Employees**

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

The major challenge for HR was participation and supervision of moving towards matrix management structure. HR itself has undergone integration to new structural order. All HR processes were standardized and aligned within the entire group. Successfully implemented changes will enable to realize HR novelties more smoothly, and employees from all functional areas will have opportunities for development in the global bank's network.

With new sales management model *SMART* implemented, important task for the Bank's HR was to launch the qualitatively new competencies and retrain the most employees in sales network. Coaching became the main instrument for the managers to manage performance of their employees. Listening, giving a feedback, development of potential was designed to be the key competencies of managerial staff.

Quality leadership was also on the agenda in the reporting year. In 2010 all managers' related HR processes were reviewed. New ways of selection, training, development, remuneration and succession planning of the leaders were dealt with in the Leadership Quality Program that was set as one of the strategic initiatives for 2011.

As of 31 December 2010 *AB DnB NORD Bankas Group* employed 1,300 employees, and their average monthly salary amounted to LTL 3,895. The change in gross average monthly salary was influenced by changes of employee structure: increased number of employees who have been working with restructuring and transfer of high qualification staff of the group to Lithuania because of implementation of new banking system. In the reporting year the number of *AB DnB NORD Bankas Group* employees averaged 1,301, the number basically unchanged compared to 2009 (1,290). On 31 December 2010 1,276 employees worked in the Bank and 1,300 in the Group.

#### Changes in the number of employees and salaries

|  | 31 12 2006 | 31 12 2007 | 31 12 2008 | 31 12 2009 | 31 12 2010 |
|--|------------|------------|------------|------------|------------|
| Number of staff in the Bank                | 1,044      | 1,162      | 1,229      | 1,263      | 1276       |
| Number of staff in the Group               | 1,086      | 1,223      | 1,312      | 1,282      | 1300       |
| Average monthly salary in the Group in LTL | 2,750      | 3,245      | 3,620      | 3,855      | 3,895      |

As at 31 December 2010, the average monthly salary by main staff groups was as follows: LTL 7,300 to the administration (Members of the Management Board excluded); LTL 3,320 to specialists; LTL 2,440 to clerical staff; and workers.

#### The Group's staff by groups of positions as of 31 December 2010

|                            | Number of employees | Staff structure by education |                              |            |
|----------------------------|---------------------|------------------------------|------------------------------|------------|
|                            |                     | Higher                       | Specialised secondary (high) | Secondary  |
| Administration             | 203                 | 191                          | 9                            | 3          |
| Specialists                | 1,086               | 718                          | 210                          | 158        |
| Clerical staff and workers | 11                  | 6                            | 3                            | 2          |
| <b>Total</b>               | <b>1,300</b>        | <b>915</b>                   | <b>222</b>                   | <b>163</b> |

#### 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*, 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 fulfillment of objectives and the results of *AB DnB NORD Bankas* also taking into consideration the data of Lithuania's labour market research. In line with resolution No. 03-175 of the Board of the Bank of Lithuania "Re Minimum requirements of the remuneration policy for the staff of credit institutions" dated 23 December 2010, the Bank will amend its remuneration policy in 2011, including the definition of the component of the variable remuneration paid in non-cash instruments, and setting of a deferral period during which the component of the variable remuneration (including the non-cash instruments) is paid.

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

No melons to the Members of the Supervisory Council were paid in 2010.

The gross salary for the period from 1 January 2010 until 31 December 2010 paid to the Members of the Management Board also holding other positions in the Bank and Chief Accountant:

|                            | Gross salary, LTL |
|----------------------------|-------------------|
| Total:                     | 2,316,249         |
| Average amount, per person | 330,892           |

In 2010 the Members of the Management Board and Chief Accountant were paid LTL 373,855 in other payments (car allowance, apartment rent).

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

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

## **21. Dividend**

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

## **22. Procedure for amending the Bylaws**

Following the effective Bylaws of the Issuer (effectual edition of the Bylaws was registered with the Register of Legal Entities on 25 February 2010), 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**

With economic environment adversely affecting some of the Bank's customers the number of litigation processes where Bank is a participant has increased during the reporting year. The legal cases are related to the financial services provided by the Bank, i.e. commonly the issues of enforced execution of the clients' assumed liabilities to the Bank are litigated.

## **24. Compliance to the Corporate Governance Code**

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

**The president of AB DnB NORD Bankas**

**Dr. Vygintas Bubnys**



**Main characteristics of debt securities issued for public trading**

As of 31 December 2010 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 2010 (LTL) |
|---|----------------------|------------------------|----------------------|-------------------------|---------------------------------|------------|---------------------------------------|----------------------------|
| Zero coupon note issue No.3/2012 (LT0000402489)       | 150 000              | 100 (LTL)              | 93.2342 (LTL)        | 15 000 000 (LTL)        | 3.55                            | 05 03 2013 | Par                                   | -                          |
| Fixed rate note issue No. 5/2015 (LT0000405052)       | 150 000              | 100 (LTL)              | 99.3519 (LTL)        | 15 000 000 (LTL)        | 5.00                            | 07 05 2015 | Par                                   | -                          |
| Fixed rate note issue No. 5/2013 (LT0000431033)       | 96 134               | 100 (LTL)              | 99.95 – 100.00 (LTL) | 9 613 400 (LTL)         | 4.10                            | 28 05 2013 | Par                                   | -                          |
| Fixed rate note issue No. 10/2013 (LT0000431132)      | 350 000              | 100 (LTL)              | 99.7195 (LTL)        | 35 000 000 (LTL)        | 3.50                            | 07 10 2013 | Par                                   | -                          |
| <b>Security and commodity index linked notes</b>      |                      |                        |                      |                         |                                 |            |                                       |                            |
| Global equity-linked note issue No. 9 (LT1000405027)  | 12 236               | 100 (EUR)              | 100.00 (EUR)         | 1 223 600 (EUR)         | Subject to index change         | 14 07 2011 | Par + premium                         | -                          |
| Global equity-linked note issue No. 11 (LT1000405035) | 3 699                | 100 (EUR)              | 99.56-100.00 (EUR)   | 369 900 (EUR)           | Subject to index change         | 03 10 2011 | Par + premium                         | -                          |

**AB DnB NORD Bankas**  
**GROUP CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

| <b>Name of securities (ISIN code)</b>                       | <b>Number of securities</b> | <b>Nominal value per unit</b> | <b>Issue price per unit</b> | <b>Aggregate nominal value</b> | <b>Interest (gain) amount, percent</b> | <b>Maturity</b> | <b>Redemption price, terms and procedure</b> | <b>Coupons paid in 2010 (LTL)</b> |
|---|-----------------------------|-------------------------------|-----------------------------|--------------------------------|--|-----------------|--|-----------------------------------|
| 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                                | -                                 |

**AB DnB NORD Bankas**  
**GROUP CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

| <b>Name of securities (ISIN code)</b>                     | <b>Number of securities</b> | <b>Nominal value per unit</b> | <b>Issue price per unit</b> | <b>Aggregate nominal value</b> | <b>Interest (gain) amount, percent</b> | <b>Maturity</b> | <b>Redemption price, terms and procedure</b> | <b>Coupons paid in 2010 (LTL)</b> |
|---|-----------------------------|-------------------------------|-----------------------------|--------------------------------|--|-----------------|--|-----------------------------------|
| 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                                | -                                 |
| Global equity-linked note issue No. 33- LV (LV0000800779) | 3 510                       | 100 (EUR)                     | 100.00 (EUR)                | 351 000 (EUR)                  | Subject to index change                | 28 02 2012      | Par + premium                                | -                                 |
| Global equity-linked note issue No. 34 (LT0000430753)     | 16 560                      | 100 (LTL)                     | 100.00 (LTL)                | 1 656 000 (LTL)                | Subject to index change                | 28 02 2012      | Par + premium                                | -                                 |
| Global equity-linked note issue No.35-LV (LV0000800795)   | 2 836                       | 100 (EUR)                     | 100,00 (EUR)                | 283 600 (EUR)                  | Subject to index change                | 22 10 2012      | Par + premium                                | -                                 |
| Global equity-linked note issue No. 36-LV (LV0000800803)  | 7 452                       | 100 (EUR)                     | 105.00 (EUR)                | 745 200 (EUR)                  | Subject to index change                | 22 10 2012      | Par + premium                                | -                                 |
| Global equity-linked note issue No. 37 (LT0000430878)     | 1 120                       | 100 (LTL)                     | 99.40 – 100.00 (LTL)        | 112 000 (LTL)                  | Subject to index change                | 12 11 2012      | Par + premium                                | -                                 |
| Global equity-linked note issue No. 38 (LT1000403972)     | 2 267                       | 100 (EUR)                     | 99.77 – 100.00 (EUR)        | 226 700 (EUR)                  | Subject to index change                | 12 11 2012      | Par + premium                                | -                                 |

**AB DnB NORD Bankas**  
**GROUP CONSOLIDATED ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

| <b>Name of securities (ISIN code)</b>                               | <b>Number of securities</b> | <b>Nominal value per unit</b> | <b>Issue price per unit</b> | <b>Aggregate nominal value</b> | <b>Interest (gain) amount, percent</b> | <b>Maturity</b> | <b>Redemption price, terms and procedure</b> | <b>Coupons paid in 2010 (LTL)</b> |
|---|-----------------------------|-------------------------------|-----------------------------|--------------------------------|--|-----------------|--|-----------------------------------|
| Asia equity-linked note issue No. 4 (LT100430009)                   | 2 018                       | 100 (EUR)                     | 99,78 – 100,00 (EUR)        | 201 800 (EUR)                  | Subject to index change                | 19 12 2012      | Par  | -                                 |
| Asia equity-linked note issue No. 5 (LT0000430910)                  | 42 673                      | 100 (LTL)                     | 99,56 – 100,00 (LTL)        | 4 267 300 (LTL)                | Subject to index change                | 19 12 2012      | Par  | -                                 |
| Global equity-linked note issue No. 39-LV (LT1000430033)            | 3 903                       | 100 (EUR)                     | 100,00 (EUR)                | 390 300 (EUR)                  | Subject to index change                | 02 04 2013      | Par + premium                                | -                                 |
| Global equity-linked note issue No. 40-LV (LT1000430041)            | 2 567                       | 100 (EUR)                     | 110,00 (EUR)                | 256 700 (EUR)                  | Subject to index change                | 02 04 2013      | Par + premium                                | -                                 |
| Global equity-linked note issue No. 41-LV (LT1000430066)            | 10 000                      | 100 (EUR)                     | 110,00 (EUR)                | 1 000 000 (EUR)                | Subject to index change                | 15 04 2013      | Par + premium                                | -                                 |
| Asia equity-linked note issue No. 6 (LT0000430993)                  | 50 828                      | 100 (LTL)                     | 99,43 – 100,00 (LTL)        | 5 082 800 (LTL)                | Subject to index change                | 06 05 2013      | Par  | -                                 |
| Commodity exporter equity-linked note issue No. 1-LV (LT1000430082) | 3 900                       | 100 (EUR)                     | 100,00 (EUR)                | 390 000 (EUR)                  | Subject to index change                | 14 06 2013      | Par  | -                                 |

**Annex II**

**DISCLOSURE OF AB DnB NORD BANKAS CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET APPROVED BY AB NASDAQ OMX VILNIUS AND APPLIED UNTIL 31 DECEMBER 2010 (INCLUSIVELY)**

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

| <b>PRINCIPLES/RECOMMENDATIONS</b>   | <b>YES/NO /NOT APPLICABLE</b> | <b>COMMENTARY</b>   |
|---|-------------------------------|---|
| <p><b>Principle I: Basic Provisions</b><br/> <i>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</i></p>   |                               |   |
| 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 of the Bank. |
| 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                           |   |
| <p><b>Principle II: The corporate governance framework</b><br/> <i>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.</i></p>  |                               |   |
| 2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process. | Yes                           |   |



|   |                       |  |
|---|-----------------------|--|
| <p>2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.</p>  | <p>Yes</p>            |  |
| <p>2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.</p>   | <p>Not applicable</p> | <p>Both the Supervisory Council and the Management Board are elected in the Bank.</p>  |
| <p>2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.</p>  | <p>Yes</p>            |  |
| <p>2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.</p>   | <p>Yes</p>            | <p>The Bylaws of the Bank establishes that the Management Board consists of 6 (six) members, the Supervisory Council consists of 7 (seven) members. On 31 December 2010 5 (five) members worked in the Management Board and 6 (six) – in the Supervisory Council. Therefore one place in Management Board and one in the Supervisory Council are vacant.</p> |
| <p>2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.</p>  | <p>Yes</p>            | <p>The 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.</p>  |
| <p>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.</p> | <p>Yes</p>            |  |
| <p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b><br/> <i>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.</i></p>   |                       |  |
| <p>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</p>   | <p>Not applicable</p> | <p>All the shares are owned by one shareholder.</p>  |

|  |                       |  |
|--|-----------------------|--|
| <p>the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>  |                       |  |
| <p>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.</p> | <p>Not applicable</p> | <p>All the shares are owned by one shareholder.</p>  |
| <p>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.</p>   | <p>Yes</p>            |  |
| <p>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.</p>   | <p>Yes</p>            |  |
| <p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>  | <p>Yes</p>            |  |
| <p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>   | <p>No</p>             | <p>In regard with the situation that the Bank is controlled by one shareholder, the Supervisory Council of the Bank doesn't contain independent members.</p> |
| <p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become 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</p>  | <p>Not applicable</p> | <p>In regard with the situation that the Bank is controlled by one shareholder, the Supervisory Council of the Bank doesn't contain independent members.</p> |

|  |  |  |
|--|--|--|
| <p>problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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);</li> <li>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);</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</li> </ol> |  |  |
|--|--|--|

|  |                |   |
|--|----------------|---|
| <p>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.</p> <p>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.</p>                     |                |   |
| <p>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.</p> | Not applicable | In regard with the situation that the Bank is controlled by one shareholder, the Supervisory Council of the Bank doesn't contain independent members. |
| <p>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.</p>  | Not applicable | In regard with the situation that the Bank is controlled by one shareholder, the Supervisory Council of the Bank doesn't contain independent members. |
| <p>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.</p>  | Not applicable | In regard with the situation that the Bank is controlled by one shareholder, the Supervisory Council of the Bank doesn't contain independent members. |
| <p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><i>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.</i></p>  |                |   |
| <p>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.</p>  | Yes            |   |

|   |                       |   |
|---|-----------------------|---|
| <p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p> | <p>Yes</p>            | <p>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.</p> |
| <p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>   | <p>Yes</p>            |   |
| <p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>   | <p>Not applicable</p> | <p>All the shares are owned by one shareholder.</p>   |
| <p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>  | <p>Yes</p>            |   |
| <p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in</p>   | <p>Yes</p>            |   |

|   |            |  |
|---|------------|--|
| <p>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.</p>  |            |  |
| <p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p> | <p>Yes</p> | <p>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. Implementing the 2010 12 23 amended decision of the Management Board of the Bank of Lithuania regarding the Minimal requirements for remuneration policy of the employees of the credit institutions, the Bank is planning to establish Remuneration Committee in year 2011.</p> |
| <p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>   | <p>Yes</p> |  |
| <p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed</p>  | <p>No</p>  | <p>There are 3 (three) members in the Audit Committee appointed by the Supervisory Council, 1 (one) of them is an independent member.</p>  |

|   |                       |   |
|---|-----------------------|---|
| <p>and that undue reliance is not placed on particular individuals.</p>   |                       |   |
| <p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>  | <p>Yes</p>            |   |
| <p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>   | <p>Yes</p>            |   |
| <p>4.12. Nomination Committee.<br/>         4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> | <p>Not applicable</p> | <p>The Nomination Committee is not established in the Bank.</p> |

|   |                       |  |
|---|-----------------------|--|
| <p>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.</p>  |                       |  |
| <p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>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);</li> <li>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.</li> </ol> <p>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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> </ol> | <p>Not applicable</p> | <p>The Remuneration Committee is not established in the Bank. Implementing the decision of the Management Board of the Bank of Lithuania regarding the Minimal requirements for remuneration policy of the employees of the credit institutions, amended on 23 December 2010, the Bank is planning to establish Remuneration Committee in year 2011.</p> |



|   |            |  |
|---|------------|--|
| <p>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.</p> <p>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.</p>  |            |  |
| <p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>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);</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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;</p> | <p>Yes</p> | <p>The Audit Committee submits its activity reports to the Supervisory Council of the Bank at least annually at the time of approving the annual report. The Audit Committee also submits reports upon request of the Supervisory Council.</p> |

|   |  |  |
|---|--|--|
| <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> |  |  |
|---|--|--|

|   |            |   |
|---|------------|---|
| <p>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.</p> | <p>Yes</p> | <p>The Supervisory Council in the Meeting to be held before every ordinary general meeting of shareholders performs the annual self-assessment.</p> |
| <p><b>Principle V: The working procedure of the company's collegial bodies</b><br/> <i>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.</i></p>  |            |   |
| <p>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.</p>   | <p>Yes</p> |   |
| <p>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.</p>   | <p>Yes</p> |   |
| <p>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.</p>  | <p>Yes</p> |   |

|   |            |  |
|---|------------|--|
| <p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.</p>   | <p>Yes</p> |  |
| <p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b><br/> <i>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.</i></p>   |            |  |
| <p>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.</p>   | <p>Yes</p> | <p>The ordinary registered shares consisting the authorised capital of the Bank grant equal rights to all the owners of the shares of the Bank. As from 1 February 2010 the Bank has the sole shareholder.</p>   |
| <p>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.</p>  | <p>Yes</p> |  |
| <p>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.</p>   | <p>No</p>  | <p>Pursuant to the Law on Companies and the Bylaws of the Bank the approval of transactions indicated in this item is attached to the competence of the Management Board. According to the internal regulations of the Bank significant transactions shall also be approved by the Supervisory Council.</p>  |
| <p>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.</p>   | <p>Yes</p> |  |
| <p>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.</p> | <p>Yes</p> | <p>According to the item 27.4 of the Listing Rules approved by NASDAQ OMX VILNIUS the issuer is obliged to publish draft resolutions of the forthcoming general meeting of shareholders through the information disclosure system of NASDAQ OMX VILNIUS not later than at the day when the shareholders of the issuer are being granted a possibility to familiarize themselves with the draft resolutions. The Issuer is obliged to announce about decisions passed in the general (or repeated) meeting of shareholders of the issuer through the information disclosure system of NASDAQ OMX VILNIUS. The information disclosed in the information disclosure system of NASDAQ OMX VILNIUS is also published on the Bank's website.</p> |

|  |     |   |
|--|-----|---|
| 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 that the Bank has the sole shareholder there is no need to implement measures indicated in this item. |
| <p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p> <p><i>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.</i></p>   |     |   |
| 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.*

|   |            |  |
|---|------------|--|
| <p>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.</p>  | <p>Yes</p> |  |
| <p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>  | <p>No</p>  | <p>In 2010 the remuneration policy of the Group and AB DnB NORD bankas and its subsidiary companies was approved. Implementing the decision of the Management Board of the Bank of Lithuania regarding the Minimal requirements for remuneration policy of the employees of the credit institutions, amended on 23 December 2010, the Bank plans to change the remuneration policy in 2011. Taking into consideration the financial situation of the Bank in 2010, the remuneration for Management Board members was not changed, the variable part was not also paid.</p>   |
| <p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) Sufficient information on the linkage between the remuneration and performance;</li> <li>4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ol> | <p>Yes</p> | <p>No special redundancies are provided to the employees of the Bank when the employment agreement is terminated except the listed below:</p> <ol style="list-style-type: none"> <li>a) a) The Employment Contract of three 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.</li> <li>b) The Employment Contract of two members of the Management Board who also acts as the Bank's president and executive vice-presidents of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her six average monthly salaries, unless a higher severance pay amount is established by law, when the Employment Contract terminates or is cancelled on one of the</li> </ol> |

|  |            |   |
|--|------------|---|
|  |            | <p>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.</p> |
| <p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>   | <p>Yes</p> |   |
| <p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2) The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> | <p>Yes</p> |   |

|  |     |  |
|--|-----|--|
| <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>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;</li> <li>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;</li> <li>4) All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ol> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>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.</li> </ol> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p> |     |  |
| <p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>  | Yes |  |
| <p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>   | Yes |  |
| <p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>   | Yes |  |
| <p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>  | No  | <p>Implementing the decision of the Management Board of the Bank of Lithuania regarding the Minimal requirements for remuneration policy of the employees of the credit institutions, amended on 23 December 2010, the change of the remuneration policy is planned in 2011 and the employment agreements of the Bank president and vice-presidents will be changed if needed.</p> |



|  |                |  |
|--|----------------|--|
| 8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.   | Yes            |  |
| 8.11. Termination payments should not be paid if the termination is due to inadequate performance.   | Yes            |  |
| 8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting. | Yes            |  |
| 8.13. Shares should not vest for at least three years after their award.   | Not applicable | Implementing the decision of the Management Board of the Bank of Lithuania regarding the Minimal requirements for remuneration policy of the employees of the credit institutions, amended on 23 December 2010, the change of the remuneration policy will be made in 2011, including establishment of the part of variable remunerations paid in non-monetary measures and establishment of delay periods in which variable remuneration part will be paid (including non-monetary measures). |
| 8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.   | Not applicable | The same remark as in 8.13.  |
| 8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).  | Not applicable | The same remark as in 8.13   |
| 8.16. Remuneration of non-executive or supervisory directors should not include share options.   | Yes            |  |
| 8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.  | No             | In regard that the Bank is controlled by the sole shareholder, the remunerations for Bank administration managers (who in the same time are the members of Management Board) are considered in the Supervisory council.  |
| 8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.                                    | No             | In regard that the Bank is controlled by the sole shareholder, the remuneration policy is changed/confirmed in the Supervisory Council of the Bank.  |

|  |                       |                                   |
|--|-----------------------|-----------------------------------|
| <p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>   | <p>Not applicable</p> | <p>The same remark as in 8.13</p> |
| <p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The term within which options can be exercised;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</li> </ol> <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p> | <p>Not applicable</p> | <p>The same remark as in 8.17</p> |
| <p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>   | <p>Not applicable</p> | <p>The same remark as in 8.13</p> |
| <p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>   | <p>Not applicable</p> |                                   |

|  |                       |   |
|--|-----------------------|---|
| <p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p> | <p>Not applicable</p> |   |
| <p><b>Principle IX: The role of stakeholders in corporate governance</b><br/> <i>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.</i></p>  |                       |   |
| <p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>  | <p>Yes</p>            | <p>The Bank 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.</p> |
| <p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>   |                       |   |
| <p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>   |                       |   |
| <p><b>Principle X: Information disclosure and transparency</b><br/> <i>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.</i></p>   |                       |   |
| <p>10.1. The company should disclose information on:<br/> 1) The financial and operating results of the company;<br/> 2) Company objectives;<br/> 3) Persons holding by the right of ownership or in control of a block of shares in the company;<br/> 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;<br/> 5) Material foreseeable risk factors;</p>  | <p>Yes</p>            |   |

|   |     |  |
|---|-----|--|
| <p>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;<br/> 7) Material issues regarding employees and other stakeholders;<br/> 8) Governance structures and strategy.<br/> This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>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.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p> |     |  |
| <p>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.</p>  | Yes |  |
| <p>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.</p>   | Yes |  |
| <p>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.</p>   | Yes | All the information indicated in this item is published on the website of the Bank. The shares of the Bank are not included in the trade in regulable market.. |

**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 |  |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**FINANCIAL STATEMENTS**

**THE GROUP AND BANK INCOME STATEMENT**

|  | Notes | Group            |                  | Bank             |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2010             | 2009             | 2010             | 2009             |
| Interest income  |       | 444,969          | 648,289          | 435,269          | 615,232          |
| Interest expense   |       | (203,048)        | (371,964)        | (197,994)        | (350,619)        |
| <b>Net interest income</b>   | 1     | <b>241,921</b>   | <b>276,325</b>   | <b>237,275</b>   | <b>264,613</b>   |
| Fee and commission income  | 2     | 74,773           | 71,063           | 75,879           | 73,917           |
| Fee and commission expense   | 2     | (16,674)         | (16,422)         | (16,039)         | (16,146)         |
| <b>Net interest, fee and commission income</b>                                     |       | <b>300,020</b>   | <b>330,966</b>   | <b>297,115</b>   | <b>322,384</b>   |
| Net gain (loss) on operations with securities and derivative financial instruments | 3     | (1,745)          | 89,227           | (138)            | 90,390           |
| Net foreign exchange result  |       | 17,765           | 8,247            | 17,681           | 8,369            |
| Impairment losses and provisions   | 4     | (243,068)        | (681,681)        | (263,146)        | (684,746)        |
| Other income   | 5     | 21,601           | 15,887           | 11,936           | 10,251           |
| Personnel expenses   | 6     | (85,905)         | (83,430)         | (83,977)         | (81,087)         |
| Depreciation and amortisation  | 7     | (16,889)         | (20,620)         | (15,224)         | (17,080)         |
| Other administrative expenses  | 8     | (104,854)        | (93,141)         | (86,878)         | (79,889)         |
| <b>Profit (loss) before income tax</b>   |       | <b>(113,075)</b> | <b>(434,545)</b> | <b>(122,631)</b> | <b>(431,408)</b> |
| Income tax   | 9     | (18)             | 27,672           | (2)              | 28,779           |
| <b>Net profit (loss) for the year</b>  |       | <b>(113,093)</b> | <b>(406,873)</b> | <b>(122,633)</b> | <b>(402,629)</b> |
| <b>Profit (loss) attributable to:</b>  |       |                  |                  |                  |                  |
| Equity holders of the parent   |       | (113,093)        | (406,873)        | (122,633)        | (402,629)        |
| <b>Earnings per share</b> (in LTL per share)                                       |       |                  |                  |                  |                  |
| Basic  | 10    | (19.81)          | (76.07)          |                  |                  |
| Diluted  | 10    | (19.81)          | (76.07)          |                  |                  |

AB DnB NORD Bankas  
 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2010

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

**THE GROUP AND BANK STATEMENT OF COMPREHENSIVE INCOME**

|  | <b>Group</b>            |                         | <b>Bank</b>             |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | <b>2010</b>             | <b>2009</b>             | <b>2010</b>             | <b>2009</b>             |
| <b>Profit (loss) for the year</b>  | <b><u>(113,093)</u></b> | <b><u>(406,873)</u></b> | <b><u>(122,633)</u></b> | <b><u>(402,629)</u></b> |
| Other comprehensive income<br>(expenses), net of tax<br>available for sale assets<br>revaluation | 24                      | 8,039                   | (85)                    | 7,649                   |
| Total other comprehensive<br>income, net of tax  | <u>24</u>               | <u>8,039</u>            | <u>(85)</u>             | <u>7,649</u>            |
| <b>Total comprehensive<br/>income(expenses) for the<br/>period, net of tax</b>                   | <b><u>(113,069)</u></b> | <b><u>(398,834)</u></b> | <b><u>(122,718)</u></b> | <b><u>(394,980)</u></b> |
| Attributable to:<br>Equity holders of the parent   | <u>(113,069)</u>        | <u>(398,834)</u>        | <u>(122,718)</u>        | <u>(394,980)</u>        |

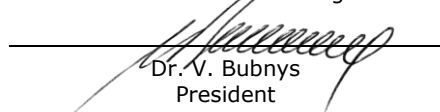
**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

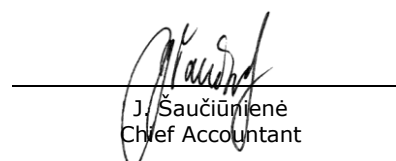
(all amounts are in LTL thousand, if not otherwise stated)

**THE GROUP AND BANK STATEMENT OF FINANCIAL POSITION**

|  | Notes | Group             |                   | Bank              |                   |
|--|-------|-------------------|-------------------|-------------------|-------------------|
|  |       | 31 December 2010  | 31 December 2009  | 31 December 2010  | 31 December 2009  |
| <b>ASSETS</b>  |       |                   |                   |                   |                   |
| Cash and balances with central banks                       | 11    | 525,842           | 368,197           | 525,842           | 368,197           |
| Due from banks   | 12    | 483,406           | 330,242           | 483,406           | 330,242           |
| Trading securities   | 13    | 30,177            | 74,032            | 30,177            | 74,032            |
| Securities designated at fair value through profit or loss | 14    | 459,498           | 231,026           | 459,498           | 231,026           |
| Derivative financial instruments                           | 15    | 24,683            | 64,043            | 24 683            | 64,043            |
| Securities available-for-sale                              | 16    | 323,925           | 393,756           | 318 496           | 388,733           |
| Loans and advances to customers                            | 17    | 8,731,999         | 10,064,040        | 9 290 610         | 10,311,546        |
| Finance lease receivables                                  | 18    | 385,475           | 501,731           | -                 | -                 |
| Investments in subsidiaries                                | 19    | -                 | -                 | 20 115            | 10,664            |
| Property, plant and equipment                              | 21    | 98,661            | 116,313           | 96 649            | 107,941           |
| Investment property  | 22    | 40,271            | 754               | -                 | -                 |
| Intangible assets  | 23    | 6,006             | 10,199            | 5 909             | 9,886             |
| Deferred income tax asset                                  | 9     | 30,184            | 30,457            | 30 188            | 30,445            |
| Other assets   | 24    | 39,424            | 123,968           | 14 011            | 13,559            |
| <b>Total assets</b>  |       | <b>11,179,551</b> | <b>12,308,758</b> | <b>11 299 584</b> | <b>11,940,314</b> |
| <b>LIABILITIES AND EQUITY</b>                              |       |                   |                   |                   |                   |
| Due to banks   | 25    | 5,327,814         | 6,763,317         | 5 327 814         | 6,261,710         |
| Derivative financial instruments                           | 15    | 61,862            | 72,624            | 61 862            | 72,624            |
| Due to customers   | 26    | 4,334,713         | 3,405,248         | 4 336 248         | 3,412,827         |
| Debt securities in issue                                   | 27    | 151,563           | 814,045           | 151 563           | 814,045           |
| Current income tax liabilities                             | 9     | -                 | 307               | -                 | -                 |
| Subordinated loans   | 28    | 403,622           | 403,540           | 403 622           | 403,540           |
| Provisions   | 29    | 673               | 809               | 66 603            | 107,569           |
| Other liabilities  | 30    | 33,932            | 43,067            | 91 360            | 57,409            |
| <b>Total liabilities</b>                                   |       | <b>10,314,179</b> | <b>11,502,957</b> | <b>10 439 072</b> | <b>11,129,724</b> |
| <b>Equity attributable to equity holders of parent</b>     |       |                   |                   |                   |                   |
| Ordinary shares  | 31    | 656,665           | 656,665           | 656 665           | 656,665           |
| Share premium  | 31    | 282,929           | 282,929           | 282 929           | 282,929           |
| Retained earnings  |       | (245,127)         | (340,505)         | (249 737)         | (335,425)         |
| Reserves   | 32    | 170,905           | 206,712           | 170 655           | 206,421           |
|  |       | 865,372           | 805,801           | 860 512           | 810,590           |
| <b>Total equity</b>  |       | <b>865,372</b>    | <b>805,801</b>    | <b>860 512</b>    | <b>810,590</b>    |
| <b>Total liabilities and equity</b>                        |       | <b>11,179,551</b> | <b>12,308,758</b> | <b>11 299 584</b> | <b>11,940,314</b> |

These Financial Statements were signed on 18 February 2011:

  
 Dr. V. Bubnys  
 President

  
 J. Šaučiūnienė  
 Chief Accountant

The accounting policies and notes on pages 61 to 135 are an integral part of these financial statements.



**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**GROUP STATEMENT OF CHANGES IN EQUITY**

|  | Attributable to equity holders of the parent |                |                                      |                   |                |                   | Total          |
|--|--|----------------|--------------------------------------|-------------------|----------------|-------------------|----------------|
|  | Issued shares                                | Share premium  | Financial assets revaluation reserve | Mandatory reserve | Other reserves | Retained earnings |                |
| <b>Balance at 1 January 2009</b>   | <b>590,999</b>                               | <b>277,218</b> | <b>(10,832)</b>                      | <b>15,139</b>     | <b>842</b>     | <b>69,988</b>     | <b>943,354</b> |
| Total comprehensive income   | -  | -              | 8,039                                | -                 | -              | (406,873)         | (398,834)      |
| Depreciation transfer for land and buildings   | -  | -              | -                                    | -                 | (4)            | 4                 | -              |
| Increase of share capital (by issuing ordinary registered shares from the retained earnings of the Bank) | 65,666                                       | 5,711          | -                                    | -                 | -              | -                 | 71,377         |
| Increase of reserve capital (by additional contributions of shareholders)                                | -  | -              | -                                    | -                 | 189,904        | -                 | 189,904        |
| Transfer to mandatory reserve  | -  | -              | -                                    | 3,624             | -              | (3,624)           | -              |
| <b>Balance at 31 December 2009</b>   | <b>656,665</b>                               | <b>282,929</b> | <b>(2,793)</b>                       | <b>18,763</b>     | <b>190,742</b> | <b>(340,505)</b>  | <b>805,801</b> |
| Total comprehensive income   | -  | -              | 24                                   | -                 | -              | (113,093)         | (113,069)      |
| Depreciation transfer for land and buildings   | -  | -              | -                                    | -                 | (4)            | 4                 | -              |
| Increase of reserve capital (by additional contributions of shareholders)                                | -  | -              | -                                    | -                 | 172,640        | -                 | 172,640        |
| Transfer of reserves   | -  | -              | -                                    | (18,563)          | (189,904)      | 208,467           | -              |
| <b>Balance at 31 December 2010</b>   | <b>656,665</b>                               | <b>282,929</b> | <b>(2,769)</b>                       | <b>200</b>        | <b>173,474</b> | <b>(245,127)</b>  | <b>865,372</b> |

The accounting policies and notes on pages 61 to 135 are an integral part of these financial statements.

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**BANK STATEMENT OF CHANGES IN EQUITY**

|  | Attributable to equity holders of the parent |                |                                      |                   |                |                   | Total          |
|--|--|----------------|--------------------------------------|-------------------|----------------|-------------------|----------------|
|  | Issued shares                                | Share premium  | Financial assets revaluation reserve | Mandatory reserve | Other reserves | Retained earnings |                |
| <b>Balance at 1 January 2009</b>   | <b>590,999</b>                               | <b>277,218</b> | <b>(10,383)</b>                      | <b>14,876</b>     | <b>842</b>     | <b>70,737</b>     | <b>944,289</b> |
| Total comprehensive income   | -  | -              | 7,649                                | -                 | -              | (402,629)         | (394,980)      |
| Depreciation transfer for land and buildings   | -  | -              | -                                    | -                 | (4)            | 4                 | -              |
| Increase of share capital (by issuing ordinary registered shares from the own funds of the Bank) | 65,666                                       | 5,711          | -                                    | -                 | -              | -                 | 71,377         |
| Increase of reserve capital (by additional contributions of shareholders)                        | -  | -              | -                                    | -                 | 189,904        | -                 | 189,904        |
| Transfer to mandatory reserve  | -  | -              | -                                    | 3,537             | -              | (3,537)           | -              |
| <b>Balance at 31 December 2009</b>   | <b>656,665</b>                               | <b>282,929</b> | <b>(2,734)</b>                       | <b>18,413</b>     | <b>190,742</b> | <b>(335,425)</b>  | <b>810,590</b> |
| Total comprehensive income   | -  | -              | (85)                                 | -                 | -              | (122,633)         | (122,718)      |
| Depreciation transfer for land and buildings   | -  | -              | -                                    | -                 | (4)            | 4                 | -              |
| Increase of reserve capital (by additional contributions of shareholders)                        | -  | -              | -                                    | -                 | 172,640        | -                 | 172,640        |
| Transfer of reserves   | -  | -              | -                                    | (18,413)          | (189,904)      | 208,317           | -              |
| <b>Balance at 31 December 2010</b>   | <b>656,665</b>                               | <b>282,929</b> | <b>(2,819)</b>                       | <b>-</b>          | <b>173,474</b> | <b>(249,737)</b>  | <b>860,512</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**GROUP AND BANK STATEMENT OF CASH FLOWS**

|   | Notes | Group            |                | Bank             |                  |
|---|-------|------------------|----------------|------------------|------------------|
|   |       | 2010             | 2009           | 2010             | 2009             |
| <b>Operating activities</b>   |       |                  |                |                  |                  |
| Interest receipt  |       | 431,283          | 588,594        | 420,526          | 554,002          |
| Interest payments   |       | (191,247)        | (341,642)      | (187,546)        | (308,627)        |
| Collected previously written-off loans  |       | 2,405            | 2,803          | 2,405            | 2,803            |
| Receipts from FX trading  |       | 24,804           | 64,396         | 24,804           | 64,396           |
| Net receipt from operations in securities   |       | 11,911           | 15,790         | 11,870           | 15,754           |
| Fee and commission receipt  |       | 74,773           | 74,787         | 75,879           | 73,917           |
| Fee and commission payments   |       | (16,674)         | (16,422)       | (16,039)         | (16,146)         |
| Salaries and related payments   |       | (86,052)         | (88,589)       | (84,100)         | (86,270)         |
| Other payments  |       | (83,071)         | (80,972)       | (74,942)         | (69,638)         |
|   |       | <b>168,132</b>   | <b>218,745</b> | <b>172,857</b>   | <b>230,191</b>   |
| <b>Net cash flows from operating profits before changes in operating assets and liabilities</b> |       |                  |                |                  |                  |
| (Increase) decrease in operating assets   |       |                  |                |                  |                  |
| (Increase) decrease in loans to credit and financial institutions                               |       | (148,435)        | 11,606         | (449,261)        | (154,858)        |
| Decrease in loans granted   |       | 867,808          | 475,898        | 857,477          | 475,879          |
| (Purchase) of trading securities  |       | (1,955,483)      | (1,706,930)    | (1,955,483)      | (1,706,930)      |
| Proceeds from trading securities  |       | 1,999,509        | 1,695,475      | 1,999,509        | 1,695,475        |
| (Increase) decrease in other assets   |       | 249,369          | 172,866        | 28,317           | (28,768)         |
|   |       | <b>1,012,768</b> | <b>648,915</b> | <b>480,559</b>   | <b>280,798</b>   |
| <b>Change in operating assets</b>   |       |                  |                |                  |                  |
| Increase (decrease) in liabilities:   |       |                  |                |                  |                  |
| (Decrease) in liabilities to credit and financial institutions                                  |       | (954,884)        | (324,847)      | (961,129)        | (354,058)        |
| Increase (decrease) in deposits   |       | 962,710          | (427,718)      | 962,911          | (427,998)        |
| Increase (decrease) in other liabilities  |       | (60,344)         | (1,362)        | (4,023)          | 8,335            |
| Change in liabilities   |       | (52,518)         | (753,927)      | (2,241)          | (773,721)        |
|   |       | <b>(154)</b>     | <b>(8,827)</b> | <b>(1)</b>       | <b>(8,543)</b>   |
| <b>Net cash flows from operating activities</b>   |       | <b>1,128,228</b> | <b>104,906</b> | <b>651,174</b>   | <b>(271,275)</b> |
| <b>Investing activities</b>   |       |                  |                |                  |                  |
| Acquisition of property, plant, equipment and intangible assets                                 |       | (2,671)          | (7,455)        | (2,652)          | (7,362)          |
| Disposal of property, plant, equipment and intangible assets                                    |       | 3,639            | 4,206          | -                | 184              |
| Purchase of available for sale securities   |       | (6,515)          | (5,871)        | (856)            | (1,927)          |
| Proceeds from available for sale securities   |       | 76,621           | 228,921        | 71,068           | 225,989          |
| Purchase of securities designated at fair value through profit or loss                          |       | (525,678)        | (254,176)      | (525,678)        | (254,176)        |
| Proceeds from securities designated at fair value through profit or loss                        |       | 297,732          | 318,804        | 297,732          | 318,804          |
| Dividends received  |       | 12               | 10             | 1,660            | 1,209            |
| Interest received   |       | 27,261           | 40,559         | 27,065           | 40,296           |
| Investment in subsidiaries  |       | -                | -              | (21,624)         | (1,764)          |
|   |       | <b>(129,599)</b> | <b>324,998</b> | <b>(153,285)</b> | <b>321,253</b>   |
| <b>Net cash flows from investing activities</b>   |       |                  |                |                  |                  |

AB DnB NORD Bankas  
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

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

**GROUP AND BANK STATEMENT OF CASH FLOWS (continued)**

|  | Notes | Group            |                  | Bank             |                 |
|--|-------|------------------|------------------|------------------|-----------------|
|  |       | 2010             | 2009             | 2010             | 2009            |
| <b>Financing activities</b>                                  |       |                  |                  |                  |                 |
| Own debt securities redemption                               |       | (580,606)        | (751,884)        | (580,606)        | (751,884)       |
| Own debt securities issued                                   |       | 108,935          | 467,794          | 108,935          | 467,794         |
| Increase in share capital                                    |       | -                | 71,377           | -                | 71,377          |
| Increase in reserve capital                                  |       | 172,640          | 189,904          | 172,640          | 189,904         |
| Interest paid  |       | (27,246)         | (51,800)         | (27,246)         | (51,800)        |
| Received loans   |       | -                | 24,170           | -                | -               |
| Repaid loans   |       | (500,656)        | (403,978)        | -                | -               |
| <b>Net cash flows from financing activities</b>              |       | <b>(826,933)</b> | <b>(454,417)</b> | <b>(326,277)</b> | <b>(74,609)</b> |
| <b>Net increase in cash and cash equivalents</b>             |       |                  |                  |                  |                 |
|  |       | <b>171,696</b>   | <b>(24,513)</b>  | <b>171,612</b>   | <b>(24,631)</b> |
| Net foreign exchange difference on cash and cash equivalents |       | (5,651)          | (205)            | (5,567)          | (83)            |
| Cash and cash equivalents at 1 January                       |       | 527,239          | 551,957          | 527,239          | 551,953         |
| <b>Cash and cash equivalents at 31 December</b>              | 35    | <b>693,284</b>   | <b>527,239</b>   | <b>693,284</b>   | <b>527,239</b>  |

(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 2010 the Bank owned the following subsidiaries:

- UAB DnB NORD Lizingas (leasing activities),
- UAB DnB NORD Investicijų Valdymas (investment asset management activities),
- UAB DnB NORD Būstas (real estate brokerage),
- UAB Intractus (real estate management, development and sale). Company was registered on Legal Entities, State enterprise Centre of Register on 6 August 2009,
- UAB Gėlužės projektai (real estate management and development activities, Note 20).

As at 31 December 2010 the Bank owned 100% of the share capital of the UAB DnB NORD Lizingas, UAB DnB NORD Investicijų Valdymas, 25.14% of the share capital of the UAB Intractus and 75.47% of the share capital of the UAB DnB NORD Būstas. UAB DnB NORD Lizingas owned 24.53% of the share capital of the UAB DnB NORD Būstas and 74.86% of the share capital of the UAB Intractus. As at 31 December 2010 AB DnB NORD Bankas Group (hereinafter referred to as "the Group") in Lithuania consisted of AB DnB NORD Bankas and its subsidiaries UAB DnB NORD Investicijų Valdymas, UAB DnB NORD Lizingas, UAB DnB NORD Būstas, UAB Intractus and UAB Gėlužės projektai.

The head offices of the Bank and subsidiaries UAB DnB NORD Investicijų Valdymas and UAB DnB NORD Lizingas are located in Vilnius, Basanavičiaus str. 26, the head office of UAB Intractus and UAB Gėlužės projektai is located in Vilnius, Vilniaus str. 18, the head office of UAB DnB NORD Būstas is located in Vilnius, Švitrigailos str. 11 M. At the end of the reporting period the Bank had 85 client service outlets (2009: 85 client service outlets) of which 16 customer service branches and 69 customer service subbranches. As at 31 December 2010 the Bank had 1,276 employees (2009: 1,263 employees). As at 31 December 2010 the Group had 1,300 employees (2009: 1,282 employees).

As at 31 December 2010 the authorized capital of the Bank is LTL 656,665,410 (2009: 656,665,410), which is divided into 5,710,134 (2009: 5,710,134) ordinary registered shares with LTL 115 par value each. As disclosed in Note 31, *Share capital*, Bank DnB NORD A/S (DK) is the single shareholder holding 100% (2009: 99.92%) of the Bank's shares. The shareholder of the Bank DnB NORD, registered in Denmark, is Norwegian largest Bank DnB NOR which owns 100% of the shares. As at 31 December 2009 the Bank DnB NORD was a joint venture of DnB NOR (51%) and German Bank Norddeutsche Landesbank (NORD/LB) (49%). On 23 December 2010 NORD/LB bank transferred 49 percent of Bank DnB NORD A/S shares to Norway's DnB NORD Bank ASA, thus increasing its indirect control of AB DnB NORD Bankas to 100% from 51%.

After Bank DnB NORD A/S completed the squeeze-out procedure of AB DnB NORD Bankas and became the sole shareholder of the Issuer having 100 percent ownership of its shares and votes, on 12 February 2010 AB DnB NORD Bankas shares were delisted from the Secondary List of the stock exchange.

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

## 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 2010 that have been adopted for use in European Union. The financial statements are prepared on a historical cost basis, except for available-for-sale investment securities, securities designated at fair value through profit or loss, financial assets and financial liabilities held for trading, derivative financial instruments and investment properties, 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 41 in accordance with the requirements of the Bank of Lithuania.

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

### Adoption of new and/or changed IFRSs and IFRIC interpretations

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

- Amendment to IFRS 2 *Share-based Payment*
- Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements*
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 17 *Distributions of Non-cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*
- Improvements to IFRS (issued in 2008 and 2009 and effective on 1 January 2010).

The principal effects of these changes are as follows:

#### **Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements***

The amendments to IFRS 3 introduce significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

The amendments to IAS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions do not give rise to goodwill, nor they 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.

The changes to IFRS 3 and IAS 27 were applied prospectively, therefore, they affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The other standards and interpretations and their amendments adopted in 2010 did not impact the financial statements of the Group, because the Group did not have the respective financial statement items and transactions addressed by these changes.

#### **Standards issued but not yet effective**

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

**Amendments to IFRS 7 *Financial instruments: Disclosures*** (effective for financial years beginning on or after 1 July 2011, once adopted by the EU)

The amendment modifies disclosure requirements for certain transfers of financial assets. The amendment is not expected to have any impact on the consolidated financial statements since the Group does not have these kinds of transfers.

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

#### **ACCOUNTING POLICIES (continued)**

**IFRS 9 Financial Instruments** (effective for financial years beginning on or after 1 January 2013, once adopted by the EU).

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Group has not yet evaluated the impact of the implementation of this standard.

**Amendments to IAS 12 Income Taxes** (effective for financial years beginning on or after 1 January 2012, once adopted by the EU).

The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. The Group has not estimated yet the impact of the implementation of these changes.

**Amendments to IAS 24 Related Party Disclosures** (effective for financial years beginning on or after 1 January 2011).

The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group, however it may impact the related parties disclosures.

**Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues** (effective for financial years beginning on or after 1 February 2010).

The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have such instruments.

#### **Improvements to IFRSs**

In May 2010 IASB issued omnibus of amendments to its standards. The amendments become effective for annual periods on or after either 1 July 2010 or 1 January 2011, but they are still to be adopted by the EU. The adoption of the following amendments may result in changes to accounting policies but will not have any impact on the financial position or performance of the Group:

- IFRS 3 *Business Combinations*;
- IFRS 7 *Financial instruments: Disclosures*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 27 *Consolidated and Separate Financial Statements*;
- IFRIC 13 *Customer Loyalty Programmes*.

**Amendment to IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** (effective for financial years beginning on or after 1 January 2011).

The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the consolidated financial statements because the Group does not have defined benefit assets.

**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments** (effective for financial years beginning on or after 1 July 2010).

The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Group does not have such transactions, IFRIC 19 will not have any impact on its consolidated financial statements.

#### **Use of estimates in the preparation of financial statements**

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

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

## **ACCOUNTING POLICIES (continued)**

### **Going concern**

The Bank's management is fully convinced of stable and balanced performance going forward and based on that prepared these financial statements.

### **Impairment losses on loans**

The Bank and the Group reviews its loan and finance lease receivables 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 the portfolios of loans and finance lease receivables before the decrease can be identified with an individual loan in those portfolios.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when assessing its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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.

### **Fair value of investment properties**

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged independent valuation specialists to determine fair value as at 31 December 2010. For the investment properties the values used a valuation technique based on comparable value (comparative sale-prices) method. Using this method, fair value of investment properties is estimated comparing actual market deals' prices for parallel property objects. The valuation model for the Group's investment properties was formed based on comparable property objects sold during the years 2009 and 2010.

For fair value of investment properties refer to the Note 22.

### **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.



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

### **ACCOUNTING POLICIES (continued)**

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.

#### **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Business combinations are disclosed in Note 20.

#### **Foreign currency translation**

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

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

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

#### **Recognition of income and expenses**

##### Interest income and expense

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.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### Fee and commission income and expense

Income and expense of fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans and other credit related fees are deferred (together with any incremental costs) and accounted for as an adjustment to the effective interest rate calculation for each issued loan separately.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

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

## **ACCOUNTING POLICIES (continued)**

### Other expenses

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

### **Dividend income**

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

### **Taxation**

#### Income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 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 2009 was 20%.

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that a taxable profit will be available against which the losses can be utilised. 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.

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).

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 nor loss.

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.

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

## **ACCOUNTING POLICIES (continued)**

### **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.

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 net trading income.

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

### **Available for sale securities**

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

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

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

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

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

## **ACCOUNTING POLICIES (continued)**

### **Repurchase and reverse repurchase agreements**

The securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Bank.

The securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. Reverse repurchase agreements are classified as loans and receivables to other banks or customers, and are accounted for using the amortised cost method. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

### **Loans**

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

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

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

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

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

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

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

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

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

### **ACCOUNTING POLICIES (continued)**

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

For available-for-sale financial investments, the bank assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for sale, the bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity.

### **Renegotiated loans**

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

### **Derecognition of financial assets and liabilities**

#### Financial assets

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.

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

## **ACCOUNTING POLICIES (continued)**

### 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.

### **Investment properties**

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

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

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

### **Property, plant and equipment**

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

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

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

### **Leases**

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*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.

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

## **ACCOUNTING POLICIES (continued)**

*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.

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

## **ACCOUNTING POLICIES (continued)**

### 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.

In 2009 the Group was following a common approach of Group Bank DnB NORD by using a cash-flow-based mark-to-model-approach that firstly provides the proof of whether the market for that asset is 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.



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

### **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.

#### **Comparative information**

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year. Operational leasing income was reclassified from Fee and Commission income (Note 2) to other income (Note 5) in 2010 LTL 1,607 thousand (in 2009 LTL 3,724 thousand).

#### **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.

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

## **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 an acceptable profitability and return on equity following the conservative risk management policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

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

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

In the Internal Capital Adequacy Assessment Process (ICAAP) the Group assesses the material risks it is exposed to that are not captured or are not fully captured by the Pillar I requirements for the capital adequacy calculation. The most significant risks that were identified during ICAAP are the following:

- concentration risk and residual risk as part of the credit risk;
- interest rate risk arising from the banking book as 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 (hereinafter referred to as 'ALCO') of the international DnB NORD Group. The credit risk management is based on the Credit Manual of the international DnB NORD Group.

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

In the year 2010 the common Credit Manual for the whole international DnB NORD Group was approved. There were no other 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 loss resulting from the credit risk accounts for major part of Group's results in current economic conditions.

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

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

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

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

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

## FINANCIAL RISK MANAGEMENT (continued)

### 1.1. Credit risk measurement

#### (a) Loans and advances

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

The credit risk is assessed by using customer / product segment specific scoring (application scorings for loans to private individuals) and rating instruments, which are used for homogeneous groups of customers:

- large corporates,
- small and medium-sized enterprises (hereinafter referred to as "SMEs"),
- single ownership companies,
- companies starting business,
- individuals,
- real estate projects of the legal entities.

These 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 macroeconomic analysis, current loan portfolio structure, incurred losses by economic sectors, the Group's strategic plans.

At the end of year 2010, the loan portfolio of the Group was well diversified by industries and none of the set limits was exceeded.

The Group follows the conservative risk management policy and uses the 10% "hair-cut" from the following legally allowable limits imposed on:

1. Maximum exposure to a single borrower (Note 40);
2. Large exposures (Note 40);
3. Lending to Bank related parties (Note 39).

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

Some other specific control and mitigation measures are outlined below.

#### (b) Collateral

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

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

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

### **FINANCIAL RISK MANAGEMENT (continued)**

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

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

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

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

#### (c) Derivative financial instruments

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

#### (d) Credit-related commitments

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

### **1.3. Impairment policies**

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

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

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

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

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

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

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

**FINANCIAL RISK MANAGEMENT (continued)**

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

|  | Group             |                   | Bank              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2010              | 2009              | 2010              | 2009              |
| Credit risk exposures relating to on-balance sheet assets are as follows:                      |                   |                   |                   |                   |
| <b>Cash and balances with central banks</b>  | <b>525,842</b>    | <b>368,197</b>    | <b>525,842</b>    | <b>368,197</b>    |
| <b>Due from banks</b>  | <b>483,406</b>    | <b>330,242</b>    | <b>483,406</b>    | <b>330,242</b>    |
| <b>Loans and advances to customers:</b>  | <b>8,731,999</b>  | <b>10,064,040</b> | <b>9,290,610</b>  | <b>10,311,546</b> |
| <b>Loans and advances to financial institutions</b>  | <b>67</b>         | <b>216</b>        | <b>548,328</b>    | <b>247,703</b>    |
| <b>Loans to individuals (retail):</b>  | <b>4,094,500</b>  | <b>4,776,066</b>  | <b>4,094,500</b>  | <b>4,776,066</b>  |
| - Consumer loans   | 260,894           | 398,487           | 260,894           | 398,487           |
| - Mortgages  | 3,676,274         | 3,781,151         | 3,676,274         | 3,781,151         |
| - Loans secured by equity linked bonds issued by Bank  | 82,419            | 545,429           | 82,419            | 545,429           |
| - Other (credit cards, reverse repurchase agreements, other loans backed by securities, other) | 74,913            | 50,999            | 74,913            | 50,999            |
| <b>Loans to business customers:</b>  | <b>4,637,432</b>  | <b>5,287,758</b>  | <b>4,647,782</b>  | <b>5,287,777</b>  |
| - Public authorities, state and municipal entities   | 573,030           | 397,369           | 573,030           | 397,369           |
| - Large corporates   | 2,119,859         | 2,554,451         | 2,119,859         | 2,554,451         |
| - SMEs   | 1,717,765         | 2,054,539         | 1,728,115         | 2,054,558         |
| - Farmers  | 222,454           | 263,593           | 222,454           | 263,593           |
| - Other  | 4,324             | 17,806            | 4,324             | 17,806            |
| <b>Finance lease receivables</b>   | <b>385,475</b>    | <b>501,731</b>    | -                 | -                 |
| - Individuals  | 33,857            | 45,461            | -                 | -                 |
| - Business customers   | 351,618           | 456,270           | -                 | -                 |
| <b>Trading assets:</b>   | <b>30,177</b>     | <b>74,032</b>     | <b>30,177</b>     | <b>74,032</b>     |
| - Debt securities  | 30,177            | 74,032            | 30,177            | 74,032            |
| <b>Securities designated at fair value through profit or loss</b>                              | <b>459,498</b>    | <b>231,026</b>    | <b>459,498</b>    | <b>231,026</b>    |
| - Debt securities  | 459,498           | 231,026           | 459,498           | 231,026           |
| <b>Derivative financial instruments</b>  | <b>24,683</b>     | <b>64,043</b>     | <b>24,683</b>     | <b>64,043</b>     |
| <b>Securities available for sale</b>   | <b>323,925</b>    | <b>393,756</b>    | <b>318,496</b>    | <b>388,733</b>    |
| - Debt securities  | 322,329           | 392,159           | 317,600           | 387,903           |
| - Equity securities  | 1,596             | 1,597             | 896               | 830               |
| <b>Credit risk exposures relating to off – balance sheet items are as follows:</b>             | <b>1,016,147</b>  | <b>907,830</b>    | <b>1,484,532</b>  | <b>1,854,588</b>  |
| - Financial guarantees   | 190,299           | 188,153           | 521,144           | 700,167           |
| - Loan commitments and other credit related liabilities  | 825,848           | 719,677           | 963,388           | 1,154,421         |
| <b>December 31</b>   | <b>11,981,152</b> | <b>12,934,897</b> | <b>12,617,244</b> | <b>13,622,407</b> |

The table above represents a worst case scenario of credit risk exposure at 31 December 2010 and 2009, 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 77% of the total maximum exposure of the Group (2009: 80%) and for 77% of the total maximum exposure of the Bank (2009: 78%).

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

- Due to economy downturn the creditworthiness of the customers is still decreasing, this is reflected in the quality of the portfolio of loans and advances to customers: the ratio of impairment losses to the respective Group's portfolio in 2010 was 9.0% whereas in 2009 it stood at 6.2%;
- Mortgage loans and 75% 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 several restrictions (regarding financial status of the customer and currency of the contract) for granting of loans and advances decision making and has tightened the monitoring process.

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

**FINANCIAL RISK MANAGEMENT (continued)**

**1.5. Loans and advances**

Loans and advances are summarized as follows:

**Group**

|                                | 31 December                     |                |                                 |                |
|--------------------------------|---------------------------------|----------------|---------------------------------|----------------|
|                                | 2010                            |                | 2009                            |                |
|                                | Loans and advances to customers | Due from banks | Loans and advances to customers | Due from banks |
| Neither past due nor impaired  | 5,888,778                       | 483,406        | 6,877,855                       | 330,242        |
| Past due but not impaired      | 1,613,687                       | -              | 2,073,671                       | -              |
| Impaired                       | 2,092,159                       | -              | 1,779,826                       | -              |
| <b>Gross</b>                   | <b>9,594,624</b>                | <b>483,406</b> | <b>10,731,352</b>               | <b>330,242</b> |
| Less: allowance for impairment | (862,625)                       | -              | (667,312)                       | -              |
| <b>Net</b>                     | <b>8,731,999</b>                | <b>483,406</b> | <b>10,064,040</b>               | <b>330,242</b> |

**Bank**

|                                | 31 December                     |                |                                 |                |
|--------------------------------|---------------------------------|----------------|---------------------------------|----------------|
|                                | 2010                            |                | 2009                            |                |
|                                | Loans and advances to customers | Due from banks | Loans and advances to customers | Due from banks |
| Neither past due nor impaired  | 6,447,389                       | 483,406        | 7,125,361                       | 330,242        |
| Past due but not impaired      | 1,613,687                       | -              | 2,073,671                       | -              |
| Impaired                       | 2,092,159                       | -              | 1,779,826                       | -              |
| <b>Gross</b>                   | <b>10,153,235</b>               | <b>483,406</b> | <b>10,978,858</b>               | <b>330,242</b> |
| Less: allowance for impairment | (862,625)                       | -              | (667,312)                       | -              |
| <b>Net</b>                     | <b>9,290,610</b>                | <b>483,406</b> | <b>10,311,546</b>               | <b>330,242</b> |

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

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

During the year 2010, the Group's total loans and advances decreased by 10.6%. The Group's total impairment allowance for loans and advances is LTL 862,625 thousand (2009: LTL 667,312 thousand) and it accounts for 9.0% of the respective portfolio (2009: 6.2%). The Group's impaired loans and advances to customers make 21.8% of the respective portfolio (2009: 16.6%). The reason for an increase is further diminishing creditworthiness of the Group customers in general (the higher deterioration is observed in the individual customers' segment) and drop in total amount of the Group's loans and advances to customers compared with the results of the year 2009.

(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.

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

Credit quality of loans to individual and business customers is disclosed in the tables below according to the masterscale implemented at the beginning of 2009, which is used in the whole international DnB NORD Group.

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

**31 December 2010**

|               | <b>Bank loans to customers</b> |                             |                  |
|---------------|--------------------------------|-----------------------------|------------------|
|               | <b>Business customers</b>      | <b>Individual customers</b> | <b>Total</b>     |
| Low risk      | 896,413                        | 2,266,979                   | 3,163,392        |
| Moderate risk | 2,011,128                      | 251,142                     | 2,262,270        |
| High risk     | 686,184                        | 335,543                     | 1,021,727        |
| <b>Total</b>  | <b>3,593,725</b>               | <b>2,853,664</b>            | <b>6,447,389</b> |

Figures of the Group would be lower by amount of LTL 558,611 thousand due to loans to subsidiaries – UAB DnB NORD Lizingas, UAB DnB NORD Būstas, UAB Intractus, UAB Gėlužės projektai.

**31 December 2009**

|               | <b>Bank loans to customers</b> |                             |                  |
|---------------|--------------------------------|-----------------------------|------------------|
|               | <b>Business customers</b>      | <b>Individual customers</b> | <b>Total</b>     |
| Low risk      | 579,068                        | 2,685,948                   | 3,265,016        |
| Moderate risk | 2,014,040                      | 333,482                     | 2,347,522        |
| High risk     | 1,079,906                      | 432,917                     | 1,512,823        |
| <b>Total</b>  | <b>3,673,014</b>               | <b>3,452,347</b>            | <b>7,125,361</b> |

Figures of the Group would be lower by amount of LTL 247,506 thousand due to loans to subsidiaries – UAB DnB NORD Lizingas, UAB Intractus.

*b) Loans and advances past due but not impaired*

Gross amount of loans and advances are reported in the tables below. At 31 December 2010 and 2009 there were no past due but not impaired loans in category "Loans and advances to banks" neither at Bank nor at the Group level.

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

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

**FINANCIAL RISK MANAGEMENT (continued)**

**31 December 2010**

|                                   | <b>Group and Bank loans to customers</b> |                             |                  |
|-----------------------------------|--|-----------------------------|------------------|
|                                   | <b>Business customers</b>                | <b>Individual customers</b> | <b>Total</b>     |
| Past due up to 3 days             | 476,573                                  | 531,464                     | 1,008,037        |
| Past due 4 -30 days               | 12,440                                   | 71,522                      | 83,962           |
| Past due 31-60 days               | 47,637                                   | 151,910                     | 199,547          |
| Past due 61-90 days               | 61,124                                   | 43,460                      | 104,584          |
| Past due more than 90 days        | 151,037                                  | 66,520                      | 217,557          |
| <b>Total</b>                      | <b>748,811</b>                           | <b>864,876</b>              | <b>1,613,687</b> |
| Value of risk mitigation measures | 594,970                                  | 763,958                     | 1,358,928        |

**31 December 2009**

|                                   | <b>Group and Bank loans to customers</b> |                             |                  |
|-----------------------------------|--|-----------------------------|------------------|
|                                   | <b>Business customers</b>                | <b>Individual customers</b> | <b>Total</b>     |
| Past due up to 3 days             | 676,468                                  | 559,111                     | 1,235,579        |
| Past due 4 -30 days               | 21,077                                   | 64,438                      | 85,515           |
| Past due 31-60 days               | 113,947                                  | 219,168                     | 333,115          |
| Past due 61-90 days               | 128,967                                  | 60,789                      | 189,756          |
| Past due more than 90 days        | 160,939                                  | 68,767                      | 229,706          |
| <b>Total</b>                      | <b>1,101,398</b>                         | <b>972,273</b>              | <b>2,073,671</b> |
| Value of risk mitigation measures | 843,197                                  | 830,957                     | 1,674,154        |

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

*c) Impaired loans and advances*

Accrued interest income for individually impaired loans and advances to customers amount to LTL 49,085 thousand as of December 31, 2010 (2009: LTL 20,333 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, 2010 and 2009.

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.

|                                      | <b>Group and Bank loans</b> |                             |              |
|--------------------------------------|-----------------------------|-----------------------------|--------------|
|                                      | <b>Business customers</b>   | <b>Individual customers</b> | <b>Total</b> |
| <b>31 December 2010</b>              |                             |                             |              |
| Individually assessed impaired loans | 1,477,674                   | 614,485                     | 2,092,159    |
| Value of collateral                  | 1,189,082                   | 497,828                     | 1,686,910    |
| <b>31 December 2009</b>              |                             |                             |              |
| Individually assessed impaired loans | 1,271,198                   | 508,628                     | 1,779,826    |
| Value of collateral                  | 988,071                     | 447,312                     | 1,435,383    |



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

**FINANCIAL RISK MANAGEMENT (continued)**

*d) Renegotiated loans and advances*

The renegotiation of the loans is performed at the different levels of competence taking into account significance and level of risk of these loans. During the year 2010 the demand for renegotiation of clients' loans remained but the amount of renegotiated loans was decreasing in comparison with the year 2009 as the operating environment was balancing out. As in the year 2009 business customers dominate in the distribution of renegotiated loans between business and individual customers segments.

The table below discloses the volume of loans that were renegotiated during respective periods.

|   | <b>Group and Bank loans</b> |                |
|---|-----------------------------|----------------|
|   | <b>2010</b>                 | <b>2009</b>    |
| <b>Loans to individuals (retail):</b>                 | <b>156,801</b>              | <b>317,856</b> |
| - Consumer loans                                      | 5,917                       | 15,164         |
| - Mortgages   | 150,351                     | 302,692        |
| - Loans secured by equity linked bonds issued by Bank | 533                         | -              |
| <b>Loans to business customers:</b>                   | <b>445,029</b>              | <b>594,111</b> |
| - Large corporates                                    | 172,908                     | 290,083        |
| - SMEs  | 261,460                     | 288,257        |
| - Farmers   | 10,661                      | 15,771         |
| <b>Total</b>  | <b>601,830</b>              | <b>911,967</b> |

*e) Information about collaterals of loans*

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

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

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

The most commonly used type of collateral is the other real estate (mostly commercial) comprising 44% of the secured part of the Group's loan portfolio (2009: 44%).

The Bank has acknowledged the risk arising from this type of the collateral and has taken measures to manage the concentration of real estate serving as the main type of the credit risk mitigant.

**31 December 2010**

|                                 | <b>Group and Bank loans to individuals (retail)</b> |            | <b>Group loans to business customers</b> |            | <b>Bank loans to business customers</b> |            |
|---------------------------------|---|------------|--|------------|---|------------|
|                                 |   | <b>%</b>   |  | <b>%</b>   |   | <b>%</b>   |
| <b>Unsecured loans</b>          | <b>520,000</b>                                      | <b>12</b>  | <b>1,314,357</b>                         | <b>25</b>  | <b>1,324,708</b>                        | <b>25</b>  |
| <b>Loans collateralized by:</b> | <b>3,813,031</b>                                    | <b>88</b>  | <b>3,947,169</b>                         | <b>75</b>  | <b>3,947,169</b>                        | <b>75</b>  |
| - residential real estate       | 2,397,740   | 55         | 295,633                                  | 6          | 295,633                                 | 6          |
| - other real estate             | 577,416   | 13         | 2,830,630                                | 54         | 2,830,630                               | 54         |
| - securities                    | 126,282   | 3          | 122,193                                  | 2          | 122,193                                 | 2          |
| - guarantees                    | 711,171   | 17         | 156,986                                  | 3          | 156,986                                 | 3          |
| - other assets                  | 422   | -          | 541,727                                  | 10         | 541,727                                 | 10         |
| <b>Total</b>                    | <b>4,333,031</b>                                    | <b>100</b> | <b>5,261,526</b>                         | <b>100</b> | <b>5,271,877</b>                        | <b>100</b> |

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

**FINANCIAL RISK MANAGEMENT (continued)**

**31 December 2009**

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

**1.6. Finance lease receivables**

Finance lease receivables are summarized as follows:

|                                | 2010               |               |                | 2009               |               |                |
|--------------------------------|--------------------|---------------|----------------|--------------------|---------------|----------------|
|                                | Business customers | Individuals   | Total          | Business customers | Individuals   | Total          |
| Neither past due nor impaired  | 200,519            | 25,942        | 226,461        | 312,755            | 32,839        | 345,594        |
| Past due but not impaired      | 73,600             | 6,282         | 79,882         | 91,027             | 8,782         | 99,809         |
| Impaired                       | 164,545            | 2,840         | 167,385        | 183,865            | 4,909         | 188,774        |
| <b>Gross</b>                   | <b>438,664</b>     | <b>35,064</b> | <b>473,728</b> | <b>587,647</b>     | <b>46,530</b> | <b>634,177</b> |
| Less: allowance for impairment | (87,046)           | (1,207)       | (88,253)       | (131,377)          | (1,069)       | (132,446)      |
| <b>Net</b>                     | <b>351,618</b>     | <b>33,857</b> | <b>385,475</b> | <b>456,270</b>     | <b>45,461</b> | <b>501,731</b> |

During the year ended 31 December 2010, finance lease receivables portfolio decreased by 25.3%. Total impairment provision for finance lease receivables is LTL 88,253 thousand (2009: LTL 132,446 thousand) and it accounts for 18.6% of the respective portfolio (2009: 20.9%).

**1.7. Exposures rated by ECAI**

The tables below present an analysis of debt securities and treasury bills by rating agency designation at 31 December 2010 and 31 December 2009 based on Moody's ratings or their equivalent.

**31 December 2010**

**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                | -            | -                             | -        | -  | -             |                |
| From Aa3 to Aa1  | -                  | -            | 202,903                       | -        | -  | -             | 202,903        |
| From A3 to A1    | 157                | -            | 98,780                        | -        | 43,685   | -             | 142,622        |
| From Baa1 to Ba3 | 19,057             | 746          | 20,646                        | -        | 279,121  | 97,337        | 416,907        |
| NR               | 2,314              | 7,903        | -                             | -        | 39,355   | -             | 49,572         |
| <b>Total</b>     | <b>21,528</b>      | <b>8,649</b> | <b>322,329</b>                | <b>-</b> | <b>362,161</b>   | <b>97,337</b> | <b>812,004</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**FINANCIAL RISK MANAGEMENT (continued)**

**31 December 2010**

**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                | -            | -                             | -        | -  | -             |                |
| From Aa3 to Aa1  | -                  | -            | 202,903                       | -        | -  | -             | 202,903        |
| From A3 to A1    | 157                | -            | 98,780                        | -        | 43,685   | -             | 142,622        |
| From Baa1 to Ba3 | 19,057             | 746          | 15,917                        | -        | 279,121  | 97,337        | 412,178        |
| NR               | 2,314              | 7,903        | -                             | -        | 39,355   | -             | 49,572         |
| <b>Total</b>     | <b>21,528</b>      | <b>8,649</b> | <b>317,600</b>                | <b>-</b> | <b>362,161</b>   | <b>97,337</b> | <b>807,275</b> |

**31 December 2009**

**Group**

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

**31 December 2009**

**Bank**

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

**1.8. Repossessed assets**

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

| Nature of assets                                   | Gross amount  |                |              |            |
|--|---------------|----------------|--------------|------------|
|  | Group         |                | Bank         |            |
|  | 2010          | 2009           | 2010         | 2009       |
| Reposessed assets (investment properties, Note 22) | 40,271        | 754            | -            | -          |
| Other reposessed assets                            | 2,392         | 442            | 2,392        | 442        |
| Retrieved assets under cancelled lease contracts   | 48,911        | 119,129        | -            | -          |
| <b>Total</b>                                       | <b>91,574</b> | <b>120,325</b> | <b>2,392</b> | <b>442</b> |

Other reposessed assets and retrieved assets under cancelled lease contracts (mainly vehicles and equipment) are accounted at lower of cost and net realisable value and are classified in the balance sheet within other assets.

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

(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<br>intermediation | Agriculture,<br>hunting,<br>forestry,<br>fishing | Manufacturing    | Electricity,<br>gas, water<br>supply | Construction   | Wholesale<br>and retail<br>trade | Transport,<br>storage,<br>communica-<br>tion | Real estate<br>activities | Public<br>sector | Other<br>industries | Private<br>individuals | Not<br>attributed | Total             |
|--|-----------------------------|--|------------------|--------------------------------------|----------------|----------------------------------|--|---------------------------|------------------|---------------------|------------------------|-------------------|-------------------|
| Neither past due nor impaired  | 771                         | 304,338  | 566,052          | 49,301                               | 115,355        | 553,890                          | 143,793                                      | 525,644                   | 505,598          | 466,720             | 2,879,609              | 4,168             | 6,115,239         |
| Past due but not impaired  | 291                         | 116,879  | 128,079          | 69,988                               | 57,286         | 111,931                          | 62,181                                       | 142,607                   | 71,402           | 61,603              | 871,157                | 165               | 1,693,569         |
| Impaired   | 39                          | 106,141  | 316,685          | 362                                  | 104,487        | 183,253                          | 179,552                                      | 609,979                   | 22               | 141,283             | 617,329                | 412               | 2,259,544         |
| Value adjustments and<br>provisions  | (27)                        | (41,734)   | (144,142)        | (40)                                 | (48,001)       | (80,957)                         | (75,866)                                     | (266,072)                 | (43)             | (53,838)            | (239,737)              | (421)             | (950,878)         |
| Charges for value<br>adjustments and provisions<br>during the reporting period | 16                          | (20,153)   | (22,424)         | 284                                  | (1,935)        | (24,792)                         | 14,726                                       | (26,568)                  | 73               | 11,103              | (81,483)               | 33                | (151,120)         |
| <b>Total at 31 December 2010</b>   | <b>1,074</b>                | <b>485,624</b>                                   | <b>866,674</b>   | <b>119,611</b>                       | <b>229,127</b> | <b>768,117</b>                   | <b>309,660</b>                               | <b>1,012,158</b>          | <b>576,979</b>   | <b>615,768</b>      | <b>4,128,358</b>       | <b>4,324</b>      | <b>9,117,474</b>  |
| <b>Total at 31 December 2009</b>   | <b>1,778</b>                | <b>573,473</b>                                   | <b>1,129,100</b> | <b>98,999</b>                        | <b>255,108</b> | <b>887,001</b>                   | <b>440,256</b>                               | <b>1,203,208</b>          | <b>403,747</b>   | <b>734,425</b>      | <b>4,821,527</b>       | <b>17,149</b>     | <b>10,565,771</b> |

**Bank**

|  | Financial<br>intermediation | Agriculture,<br>hunting,<br>forestry,<br>fishing | Manufacturing    | Electricity,<br>gas, water<br>supply | Construction   | Wholesale<br>and retail<br>trade | Transport,<br>storage,<br>communication | Real estate<br>activities | Public<br>sector | Other<br>industries | Private<br>individuals | Not<br>attributed | Total             |
|--|-----------------------------|--|------------------|--------------------------------------|----------------|----------------------------------|---|---------------------------|------------------|---------------------|------------------------|-------------------|-------------------|
| Neither past-due nor impaired  | 548,287                     | 278,324  | 520,753          | 48,528                               | 98,437         | 527,067                          | 95,134                                  | 530,180                   | 502,014          | 440,831             | 2,853,666              | 4,168             | 6,447,389         |
| Past due but not impaired  | 41                          | 111,435  | 121,711          | 69,988                               | 50,152         | 108,236                          | 18,001                                  | 139,085                   | 71,016           | 58,981              | 864,876                | 165               | 1,613,687         |
| Impaired   | -                           | 92,628   | 303,402          | 362                                  | 93,477         | 151,712                          | 108,634                                 | 597,332                   | -                | 129,711             | 614,489                | 412               | 2,092,159         |
| Value adjustments and<br>provisions  | -                           | (37,526)   | (136,342)        | (40)                                 | (42,035)       | (67,259)                         | (36,944)                                | (262,741)                 | -                | (40,787)            | (238,530)              | (421)             | (862,625)         |
| Charges for value adjustments<br>and provisions during the<br>reporting period | -                           | (18,814)   | (27,212)         | 284                                  | (2,824)        | (22,489)                         | (15,086)                                | (25,149)                  | -                | (2,711)             | (81,345)               | 33                | (195,313)         |
| <b>Total at 31 December 2010</b>   | <b>548,328</b>              | <b>444,861</b>                                   | <b>809,524</b>   | <b>118,838</b>                       | <b>200,031</b> | <b>719,756</b>                   | <b>184,825</b>                          | <b>1,003,856</b>          | <b>573,030</b>   | <b>588,736</b>      | <b>4,094,501</b>       | <b>4,324</b>      | <b>9,290,610</b>  |
| <b>Total at 31 December 2009</b>   | <b>247,703</b>              | <b>507,439</b>                                   | <b>1,052,615</b> | <b>97,936</b>                        | <b>211,010</b> | <b>811,575</b>                   | <b>311,318</b>                          | <b>1,179,006</b>          | <b>397,369</b>   | <b>702,360</b>      | <b>4,776,066</b>       | <b>17,149</b>     | <b>10,311,546</b> |

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

## FINANCIAL RISK MANAGEMENT (continued)

### 2. Market risk

The Group takes on exposure to market risk, which means the risk for the Bank to incur losses due to the adverse fluctuations in the market parameters such as currency exchange rates (currency risk), interest rates (interest rate risk) or equity 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 37 reveals that the Group has exposure to EUR, exposures to other currencies are not significant. The Group follows a very conservative approach to foreign exchange risk and limits EUR position with the limit set by the ALCO of international DnB NORD Group.

#### Sensitivity of foreign exchange risk

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

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

The presumable FX rate change creates acceptable impact on Bank's and Group's annual profit as well as equity and makes LTL 105 thousand in 2010 (2009: LTL 151 thousand) impact on profit.

The Bank's exposure to foreign currency exchange rate risk is summarised in Note 37.

#### 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 rising from the loan portfolio and debt securities at small extend on asset side which is mainly counterbalanced with clients' deposits on the liability side. In case of EUR it is mainly funding from parent banks covering the exposure from assets. 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.

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

### FINANCIAL RISK MANAGEMENT (continued)

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.

#### The Bank's and Group's exposure to interest rate risk as of 31 December 2010 (basis point value):

| Risk | Bank   | DnB NORD lizingas | DnB NORD investicijų valdymas | Elimination effect | Consolidated |
|------|--------|-------------------|-------------------------------|--------------------|--------------|
| LTL  | (14.0) | 3.6               | (0.8)                         | 1.0                | (10.2)       |
| EUR  | 24.2   | 6.3               | (0.5)                         | (17.8)             | 12.2         |
| USD  | (2.0)  | (0.2)             | -                             | -                  | (2.2)        |

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

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

The Bank's interest rate gap analysis is summarized in Note 38.

#### Sensitivity of interest rate risk

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

| Reasonable annual shift in bp | LTL | EUR | USD |
|-------------------------------|-----|-----|-----|
| 2010                          | 100 | 50  | 50  |
| 2009                          | 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 below):

#### Impact on P&L and Equity:

| Year | Equity |       | P&L    |
|------|--------|-------|--------|
|      | Group  | Bank  |        |
| 2010 | 2,235  | 2,114 | 8,379  |
| 2009 | 6,324  | 6,513 | 10,776 |

#### 2.4 Equity risk

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

#### 3. Liquidity risk

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

Management of the Bank is constantly monitoring the liquidity situation on the financial markets. The Bank is ready for liquidity situation to become worse as business and liquidity contingency plans are in place and up to date.

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

## FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Liquidity risk management process

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

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

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

|   | 31 December 2010 |         | 31 December 2009 |         |
|---|------------------|---------|------------------|---------|
|   | 1 week           | 1 month | 1 week           | 1 month |
| <b>Liquidity gap (Group), LTL million</b> | 586,7            | (532,1) | 287.5            | (244.8) |
| <b>Limit</b>                              | (690,6)          | (690,6) | (776.9)          | (776.9) |

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

|                              | 31 December 2010 | 31 December 2009 |
|------------------------------|------------------|------------------|
| <b>Funding ratio (Group)</b> | 0.90             | 0.93             |

Note 36 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

The bank has a possibility of attracting funding at minimum cost. The parent Bank DnB NOR (counterparty credit rating being Aa3/Stable/P-1 (Moody's Investors Service) provided 6 August, 2010) is the lender of last resort and provides the financing for the Bank in the cases of faltered liquidity.

### 3.3. Non - derivative cash flows

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

| Group  |                  |                  |                  |                  |                |                   |
|--|------------------|------------------|------------------|------------------|----------------|-------------------|
| 31 December 2010   | Up to 1          | 1-3              | 3-12             | 1-5              | Over 5         | Total             |
| Liabilities  | month            | months           | months           | years            | years          |                   |
| Due to banks   | 1,412,477        | 822,543          | 874,372          | 2,201,870        | 174,441        | 5,485,703         |
| Due to customers   | 3,030,936        | 631,832          | 607,469          | 66,636           | 6,304          | 4,343,177         |
| Debt securities in issue                                 | -                | 15,662           | 32,423           | 101,700          | -              | 149,785           |
| Subordinated loans                                       | -                | -                | -                | 262,078          | 169,701        | 431,779           |
| Other financial liabilities                              | 34,605           | -                | -                | -                | -              | 34,605            |
| <b>Total liabilities</b><br>(contractual maturity dates) | <b>4,478,018</b> | <b>1,470,037</b> | <b>1,514,264</b> | <b>2,632,284</b> | <b>350,446</b> | <b>10,445,049</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**FINANCIAL RISK MANAGEMENT (continued)**

**Bank**

| <b>31 December 2010</b>                                  | <b>Up to 1 month</b> | <b>1-3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>Over 5 years</b> | <b>Total</b>      |
|--|----------------------|-------------------|--------------------|------------------|---------------------|-------------------|
| <b>Liabilities</b>                                       |                      |                   |                    |                  |                     |                   |
| Due to banks   | 1,412,477            | 822,543           | 874,372            | 2,201,870        | 174,441             | 5,485,703         |
| Due to customers   | 3,032,471            | 631,832           | 607,469            | 66,636           | 6,304               | 4,344,712         |
| Debt securities in issue                                 | -                    | 15,662            | 32,423             | 101,700          | -                   | 149,785           |
| Subordinated loans                                       | -                    | -                 | -                  | 262,078          | 169,701             | 431,779           |
| Other financial liabilities                              | 157,963              | -                 | -                  | -                | -                   | 157,963           |
| <b>Total liabilities</b><br>(contractual maturity dates) | <b>4,602,911</b>     | <b>1,470,037</b>  | <b>1,514,264</b>   | <b>2,632,284</b> | <b>350,446</b>      | <b>10,569,942</b> |

**Group**

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

**Bank**

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

**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*

| <b>31 December 2010</b>        | <b>Up to 1 month</b> | <b>1 to 3 months</b> | <b>3 to 12 months</b> | <b>1 to 5 years</b> | <b>Over 5 years</b> | <b>Total</b>  |
|--------------------------------|----------------------|----------------------|-----------------------|---------------------|---------------------|---------------|
| Derivatives held for trading   |                      |                      |                       |                     |                     |               |
| - Foreign exchange derivatives | 245                  | -                    | -                     | -                   | -                   | 245           |
| - Interest rate derivatives    | 11,578               | 6,708                | 28,554                | 40,136              | 3,099               | 90,075        |
| - Equity derivatives           | 3,799                | -                    | -                     | -                   | -                   | 3,799         |
| - Commodity derivatives        | -                    | -                    | -                     | -                   | -                   | -             |
| - Credit derivatives           | 1,445                | -                    | -                     | -                   | -                   | 1,445         |
| <b>Total</b>                   | <b>17,067</b>        | <b>6,708</b>         | <b>28,554</b>         | <b>40,136</b>       | <b>3,099</b>        | <b>95,564</b> |



AB DnB NORD Bankas  
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

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

**FINANCIAL RISK MANAGEMENT (continued)**

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

b) *Derivatives settled on a gross basis*

| <b>31 December 2010</b>      | <b>Up to 1 month</b> | <b>1 to 3 months</b> | <b>3 to 12 months</b> | <b>1 to 5 years</b> | <b>Total</b>     |
|------------------------------|----------------------|----------------------|-----------------------|---------------------|------------------|
| Derivatives held for trading |                      |                      |                       |                     |                  |
| Foreign exchange derivatives |                      |                      |                       |                     |                  |
| Outflow                      | 670,389              | 724,716              | 386,418               | 2,057               | 1,783,580        |
| Inflow                       | 670,164              | 724,932              | 389,561               | 2,055               | 1,786,712        |
| <b>Total outflow</b>         | <b>670,389</b>       | <b>724,716</b>       | <b>386,418</b>        | <b>2,057</b>        | <b>1,783,580</b> |
| <b>Total inflow</b>          | <b>670,164</b>       | <b>724,932</b>       | <b>389,561</b>        | <b>2,055</b>        | <b>1,786,712</b> |

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

**3.5. Off - balance sheet items**

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

| <b>Group</b>                | <b>Up to one year</b> | <b>From 1 to 5 years</b> | <b>Over 5 years</b> | <b>Total</b>     |
|-----------------------------|-----------------------|--------------------------|---------------------|------------------|
| <b>At 31 December 2010</b>  |                       |                          |                     |                  |
| Guarantees                  | 111,962               | 76,043                   | 2,294               | 190,299          |
| Letters of credit           | 5,793                 | -                        | -                   | 5,793            |
| Loan commitments            | 450,015               | 337,599                  | 15,495              | 803,109          |
| Finance lease commitments   | 4,091                 | -                        | -                   | 4,091            |
| Operating lease commitments | 1,148                 | 2,006                    | -                   | 3,154            |
| Other commitments           | 2,964                 | 3,023                    | 3,714               | 9,701            |
| <b>Total</b>                | <b>575,973</b>        | <b>418,671</b>           | <b>21,503</b>       | <b>1,016,147</b> |
| <b>At 31 December 2009</b>  |                       |                          |                     |                  |
| Guarantees                  | 135,028               | 50,813                   | 2,312               | 188,153          |
| Letters of credit           | 5,714                 | -                        | -                   | 5,714            |
| Loan commitments            | 552,028               | 142,158                  | 29                  | 694,215          |
| Finance lease commitments   | 4,647                 | -                        | -                   | 4,647            |
| Operating lease commitments | 1,021                 | 2,886                    | -                   | 3,907            |
| Other commitments           | 5,038                 | 2,993                    | 3,163               | 11,194           |
| <b>Total</b>                | <b>703,476</b>        | <b>198,850</b>           | <b>5,504</b>        | <b>907,830</b>   |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**FINANCIAL RISK MANAGEMENT (continued)**

**Bank**

|                             | <b>Up to one year</b> | <b>From 1 to 5 years</b> | <b>Over 5 years</b> | <b>Total</b>     |
|-----------------------------|-----------------------|--------------------------|---------------------|------------------|
| <b>At 31 December 2010</b>  |                       |                          |                     |                  |
| Guarantees                  | 154,630               | 364,220                  | 2,294               | 521,144          |
| Letters of credit           | 5,793                 | -                        | -                   | 5,793            |
| Loan commitments            | 450,515               | 478,451                  | 15,495              | 944,461          |
| Operating lease commitments | 1,369                 | 2,064                    | -                   | 3,433            |
| Other commitments           | 2,964                 | 3,023                    | 3,714               | 9,701            |
| <b>Total</b>                | <b>615,271</b>        | <b>847,758</b>           | <b>21,503</b>       | <b>1,484,532</b> |
| <b>At 31 December 2009</b>  |                       |                          |                     |                  |
| Guarantees                  | 168,092               | 529,763                  | 2,312               | 700,167          |
| Letters of credit           | 5,714                 | -                        | -                   | 5,714            |
| Loan commitments            | 582,872               | 552,274                  | 29                  | 1,135,175        |
| Operating lease commitments | 1,240                 | 3,167                    | -                   | 4,407            |
| Other commitments           | 2,969                 | 2,993                    | 3,163               | 9,125            |
| <b>Total</b>                | <b>760,887</b>        | <b>1,088,197</b>         | <b>5,504</b>        | <b>1,854,588</b> |

**4. Fair value of financial assets and liabilities**

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

**As at 31 December 2010**

|   | <b>Group</b>          |                   | <b>Bank</b>           |                   |
|---|-----------------------|-------------------|-----------------------|-------------------|
|   | <b>Carrying value</b> | <b>Fair value</b> | <b>Carrying value</b> | <b>Fair value</b> |
| <b>Assets</b>                                 |                       |                   |                       |                   |
| Loans and advances to customers of which:     | 8,731,999             | 7,879,456         | 9,290,610             | 8,385,372         |
| -Loans to individuals                         | 4,094,500             | 3,695,549         | 4,094,500             | 3,695,549         |
| -Loans to business customers                  | 4,637,432             | 4,183,847         | 4,647,782             | 4,194,922         |
| -Loans and advances to financial institutions | 67                    | 60                | 548,328               | 494,901           |
| Finance lease receivables of which:           | 385,475               | 346,241           | -                     | -                 |
| -Individuals                                  | 33,857                | 30,545            | -                     | -                 |
| -Business customers                           | 351,618               | 315,696           | -                     | -                 |
| <b>Liabilities</b>                            |                       |                   |                       |                   |
| Due to banks                                  | 5,327,814             | 5,228,169         | 5,327,814             | 5,228,169         |
| Due to customers                              | 4,334,713             | 4,285,271         | 4,336,248             | 4,286,806         |
| Debt securities in issue                      | 151,563               | 141,256           | 151,563               | 141,256           |
| Subordinated loans                            | 403,622               | 378,428           | 403,622               | 378,428           |

**As at 31 December 2009**

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

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

**FINANCIAL RISK MANAGEMENT (continued)**

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value of all Bank contracted derivatives is defined as level 2. These are mainly interest rate swaps and FX derivatives which are revaluated using discounted cashflow or present value calculation method and revaluation of options is based on Black and Scholes model. In all cases pricing is based on market observable inputs.

Debt securities are priced in accordance to market quotes and, in cases when there is no active market for particular security, then the model for defining the price for this kind of security is applied. As of 31 December 2010 a part of debt securities (fair value LTL 8.318 million) held for trading and a part of debt securities (fair value LTL 21.432 million) designated at fair value through profit and loss were assigned to Level 2. All other debt securities were priced at market quotes in an active market.

At the end of 2009 there were 2 debt security issues (fair value LTL 51.671 million) which were priced using the model (Level 3).

**Bank**

**As at 31 December 2010**

|  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|--|----------------|----------------|----------------|----------------|
| <b>Financial assets</b>  |                |                |                |                |
| FX forwards, swaps, put, call options                            | -              | 8,180          | -              | 8,180          |
| Interest rate swaps, collars                                     | -              | 11,856         | -              | 11,856         |
| Equity linked options  | -              | 4,214          | -              | 4,214          |
| Commodity linked options   | -              | -              | -              | -              |
| Credit related agreements  | -              | 433            | -              | 433            |
|  | -              | <b>24,683</b>  | -              | <b>24,683</b>  |
| Other financial assets held-for-trading                          |                |                |                |                |
| Government debt securities                                       | 21,859         | 8,168          | -              | 30,027         |
| Debt securities issued by banks                                  | -              | 150            | -              | 150            |
|  | <b>21,859</b>  | <b>8,318</b>   | -              | <b>30,177</b>  |
| Financial assets designated at fair value through profit or loss |                |                |                |                |
| Government debt securities                                       | 438,066        | 7,437          | -              | 445,503        |
| Other debt securities  | -              | 13,995         | -              | 13,995         |
|  | <b>438,066</b> | <b>21,432</b>  | -              | <b>459,498</b> |
| Financial investments available-for-sale                         |                |                |                |                |
| Other debt securities  | 317,600        | -              | -              | 317,600        |
| Equity securities  | 896            | -              | -              | 896            |
|  | <b>318,496</b> | -              | -              | <b>318,496</b> |
|  | <b>778,421</b> | <b>54,433</b>  | -              | <b>832,854</b> |
| <b>Financial liabilities</b>                                     |                |                |                |                |
| FX forwards, swaps, put, call options                            | -              | 10,569         | -              | 10,569         |
| Interest rate swaps, collars                                     | -              | 49,848         | -              | 49,848         |
| Credit related agreements  | -              | 1,445          | -              | 1,445          |
|  | -              | <b>61,862</b>  | -              | <b>61,862</b>  |

Figures for the Group will not differ materially, mainly debt securities in available for sale portfolio (in amount of LTL 4,728 thousand) would increase the positions of level 1 (Note 16).

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

**FINANCIAL RISK MANAGEMENT (continued)**

**Bank**

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

Figures for the Group will not differ materially, mainly debt securities in available for sale portfolio (in amount of LTL 4.256 thousand) would increase the positions of level 1 and level 3 (Note 16).

**5. Operational Risk**

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

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

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

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

The Bank has implemented three methods of operational risk management – declaration of operational risk events and losses, i.e. by registering all operational risk events and losses into centralized system, self-assessment – one of risk inventory methods to evaluate operational risk potential, and key risk indicators system for the early recognition of risks arising.

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

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

## **FINANCIAL RISK MANAGEMENT (continued)**

In 2010 the Group continued to develop the operational risk management and control systems. Effective operational risk management in the Group is based on each employee's risk perception and understanding. Due to this the Group systematically raised employees' risk awareness by organizing trainings, and in 2010 implemented operational risk trainings system for new employees. In May 2010 the Bank performed a comprehensive self-assessment on the Group level (encompassing all of the main Bank's activities and the most significant risks).

### **6. Stress tests**

Besides the regular assessment of the risks and the capital requirement calculation the Group also performs stress tests for the credit, liquidity, market (interest rate and currency), business 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 the realisations of the standard, possible and worst case scenarios are assumed.

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

### **7. Capital management**

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

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

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

The Group's regulatory capital is divided into two tiers:

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

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group for the years ended 31 December. AB DnB NORD bankas will maintain at least 10 percent capital adequacy ratio with regard to Resolution No.190 (dated 30 September, 2009) of the Board of the Bank of Lithuania. During 2009 and 2010, the Group complied with capital requirements to which it is subject.

|                             | <b>Group</b>     |                   | <b>Bank</b>      |                   |
|-----------------------------|------------------|-------------------|------------------|-------------------|
|                             | <b>2010</b>      | <b>2009</b>       | <b>2010</b>      | <b>2009</b>       |
| Tier 1 capital              | 858,532          | 794,764           | 851,964          | 797,076           |
| Tier 2 capital              | 326,654          | 374,651           | 324,850          | 371,861           |
| <b>Total capital</b>        | <b>1,185,186</b> | <b>1,169,415</b>  | <b>1,176,814</b> | <b>1,168,937</b>  |
| <b>Risk weighted assets</b> | <b>8,537,800</b> | <b>10,041,720</b> | <b>9,019,620</b> | <b>10,248,390</b> |
| Tier1 capital ratio, %      | 10.06            | 7.91              | 9.45             | 7.78              |
| <b>Capital ratio, %</b>     | <b>13.88</b>     | <b>11.65</b>      | <b>13.05</b>     | <b>11.41</b>      |

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

## FINANCIAL RISK MANAGEMENT (continued)

### Capital requirements

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

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

|   | Group  |  |                | Bank   |  |                |
|---|--|--|----------------|--|--|----------------|
|   | Exposure net of value adjustments and provisions | Total exposure value covered by eligible collaterals | guarantees     | Exposure net of value adjustments and provisions | Total exposure value covered by eligible collaterals | guarantees     |
| Central governments or central banks                  | 306,138  |  |                | 301,409  |  |                |
| Regional governments or local authorities             | 616,133  |  |                | 616,133  |  |                |
| Administrative bodies and non-commercial undertakings | 98,726   | 4,581  | 24,785         | 96,573   | 4,581  | 24,785         |
| Institutions  | 746,368  | 1,500  |                | 746,369  | 1,500  |                |
| Corporates  | 4,208,116  | 47,996   | 48,079         | 5,039,668  | 47,953   | 47,231         |
| Retail  | 1,915,236  | 39,700   | 55,277         | 1,768,860  | 39,743   | 56,134         |
| Secured on real estate property                       | 2,338,275  | 2,338,275  |                | 2,338,555  | 2,338,555  |                |
| Past due items  | 1,040,519  |  | 22,076         | 955,840  |  | 22,076         |
| Other items   | 452,222  |  |                | 383,525  |  |                |
| <b>Total</b>  | <b>11,721,733</b>                                | <b>2,432,052</b>                                     | <b>150,217</b> | <b>12,246,932</b>                                | <b>2,432,332</b>                                     | <b>150,226</b> |

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 2010 nor in 2009.

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 principles of ICAAP are uniform in the whole international DnB NORD Group.

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

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

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**SEGMENT INFORMATION**

The Group is organised into these main business segments based on products, services and legal organisation: banking, leasing, investment management, real estate brokerage and real estate management, development and sale. Transactions between the business segments are on normal commercial terms and conditions, transfer prices between operating segments are on arm's length basis. Funds are ordinary reallocated between segments, resulting in funding cost transfers disclosed in operating income. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2010 or 2009.

**Year ended 31 December 2010**

|  | <b>Banking</b>    | <b>Leasing</b>  | <b>Investment management</b> | <b>Real estate brokerage</b> | <b>Real estate management, development and sale</b> | <b>Eliminations</b> | <b>Group</b>      |
|--|-------------------|-----------------|------------------------------|------------------------------|---|---------------------|-------------------|
| Third party  | 423,626           | 21,106          | 237                          | -                            | -   | -                   | 444,969           |
| Inter-segment  | 11,643            | 42              | 1                            | -                            | -   | (11,686)            | -                 |
| <b>Total interest income</b>                                     | <b>435,269</b>    | <b>21,148</b>   | <b>238</b>                   | <b>-</b>                     | <b>-</b>  | <b>(11,686)</b>     | <b>444,969</b>    |
| Third party  | (197,980)         | (5,065)         | (3)                          | -                            | -   | -                   | (203,048)         |
| Inter-segment  | (14)              | (11,583)        | -                            | (9)                          | (51)  | 11,657              | -                 |
| <b>Total interest expense</b>                                    | <b>(197,994)</b>  | <b>(16,648)</b> | <b>(3)</b>                   | <b>(9)</b>                   | <b>(51)</b>   | <b>11,657</b>       | <b>(203,048)</b>  |
| Third party  | 225,646           | 16,041          | 234                          | -                            | -   | -                   | 241,921           |
| Inter-segment  | 11,629            | (11,541)        | 1                            | (9)                          | (51)  | (29)                | -                 |
| <b>Net interest income</b>                                       | <b>237,275</b>    | <b>4,500</b>    | <b>235</b>                   | <b>(9)</b>                   | <b>(51)</b>   | <b>(29)</b>         | <b>241,921</b>    |
| Third party  | 71,375            | 1,267           | 4,117                        | 615                          | -   | (1,648)             | 75,726            |
| Inter-segment  | 6,008             | (4,976)         | (762)                        | 99                           | -   | (369)               | -                 |
| <b>Net income from the other main operations</b>                 | <b>77,383</b>     | <b>(3,709)</b>  | <b>3,355</b>                 | <b>714</b>                   | <b>-</b>  | <b>(2,017)</b>      | <b>75,726</b>     |
| Third party  | (158,786)         | (8,953)         | (941)                        | (751)                        | (509)   | (825)               | (170,765)         |
| Inter-segment  | (133)             | (91)            | (104)                        | (44)                         | 1,312   | (940)               | -                 |
| <b>Total administrative and other operating expenses/ income</b> | <b>(158,919)</b>  | <b>(9,044)</b>  | <b>(1,045)</b>               | <b>(795)</b>                 | <b>803</b>  | <b>(1,765)</b>      | <b>(170,765)</b>  |
| Depreciation and amortisation                                    | (15,224)          | (1,554)         | (45)                         | (66)                         | -   | -                   | (16,889)          |
| Impairment losses and provisions                                 | (303,976)         | (8,443)         | -                            | (58)                         | (7,731)   | 77,140              | (243,068)         |
| <b>Profit (loss) before tax</b>                                  | <b>(163,461)</b>  | <b>(18,250)</b> | <b>2,500</b>                 | <b>(214)</b>                 | <b>(6,979)</b>                                      | <b>73,329</b>       | <b>(113,075)</b>  |
| Income tax   | (2)               | -               | -                            | -                            | -   | -                   | (2)               |
| Change of deferred tax   | -                 | -               | (16)                         | -                            | -   | -                   | (16)              |
| <b>Net profit (loss)</b>   | <b>(163,463)</b>  | <b>(18,250)</b> | <b>2,484</b>                 | <b>(214)</b>                 | <b>(6,979)</b>                                      | <b>73,329</b>       | <b>(113,093)</b>  |
| Capital expenditure  | 2,652             | -               | 10                           | 8                            | 1   | -                   | 2,671             |
| Shareholders' equity   | 860,512           | (58,187)        | 6,675                        | 1,268                        | 29,905  | 25,199              | 865,372           |
| <b>Total assets</b>  | <b>11,299,584</b> | <b>495,100</b>  | <b>7,024</b>                 | <b>1,648</b>                 | <b>40,322</b>                                       | <b>(664,127)</b>    | <b>11,179,551</b> |
| <b>Total liabilities</b>   | <b>10,439,072</b> | <b>553,287</b>  | <b>349</b>                   | <b>380</b>                   | <b>10,417</b>                                       | <b>(689,326)</b>    | <b>10,314,179</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**SEGMENT INFORMATION (continued)**

**Year ended 31 December 2009**

|   | <b>Banking</b>    | <b>Leasing</b>   | <b>Invest-<br/>ment<br/>manage-<br/>ment</b> | <b>Real<br/>estate<br/>brokerage</b> | <b>Real estate<br/>management,<br/>development<br/>and sale</b> | <b>Eliminations</b> | <b>Group</b>      |
|---|-------------------|------------------|--|--------------------------------------|---|---------------------|-------------------|
| Third party   | 607,608           | 40,405           | 276  | -                                    | -   | -                   | 648,289           |
| Inter-segment   | 7,624             | 496              | 8  | -                                    | -   | (8,128)             | -                 |
| Total interest income                                     | 615,232           | 40,901           | 284  | -                                    | -   | (8,128)             | 648,289           |
| Third party   | (350,150)         | (21,811)         | (3)  | -                                    | -   | -                   | (371,964)         |
| Inter-segment   | (469)             | (7,616)          | -  | (5)                                  | (3)   | 8,093               | -                 |
| Total interest expense                                    | (350,619)         | (29,427)         | (3)  | (5)                                  | (3)   | 8,093               | (371,964)         |
| Third party   | 257,458           | 18,594           | 273  | -                                    | -   | -                   | 276,325           |
| Inter-segment   | 7,155             | (7,120)          | 8  | (5)                                  | (3)   | (35)                | -                 |
| Net interest income                                       | 264,613           | 11,474           | 281  | (5)                                  | (3)   | (35)                | 276,325           |
| Third party   | 149,932           | 3,404            | 3,274  | 428                                  | -   | (1,199)             | 155,839           |
| Inter-segment   | 6,598             | (5,769)          | (470)  | 27                                   | -   | (386)               | -                 |
| Net income from the other main operations                 | 156,530           | (2,365)          | 2,804  | 455                                  | -   | (1,585)             | 155,839           |
| Third party   | (150,605)         | (11,851)         | (903)  | (1,023)                              | (26)  | -                   | (164,408)         |
| Inter-segment   | (120)             | (129)            | (112)  | (59)                                 | (1)   | 421                 | -                 |
| Total administrative and other operating expenses/ income | (150,725)         | (11,980)         | (1,015)                                      | (1,082)                              | (27)  | 421                 | (164,408)         |
| Depreciation and amortisation                             | (17,080)          | (3,399)          | (37)   | (104)                                | -   | -                   | (20,620)          |
| Impairment losses and provisions                          | (589,481)         | (111,510)        | -  | -                                    | -   | 19,310              | (681,681)         |
| Profit (loss) before tax                                  | (336,143)         | (117,780)        | 2,033  | (736)                                | (30)  | 18,111              | (434,545)         |
| Income tax  | (1,387)           | (101)            | (380)  | -                                    | -   | -                   | (1,868)           |
| Change of deferred tax                                    | 30,166            | (515)            | (111)  | -                                    | -   | -                   | 29,540            |
| <b>Net profit (loss)</b>                                  | <b>(307,364)</b>  | <b>(118,396)</b> | <b>1,542</b>                                 | <b>(736)</b>                         | <b>(30)</b>   | <b>18,111</b>       | <b>(406,873)</b>  |
| Capital expenditure                                       | 7,362             | 17               | 73   | 3                                    | -   | -                   | 7,455             |
| Shareholders' equity                                      | 810,590           | (20,731)         | 5,730  | 1,482                                | 734   | 7,996               | 805,801           |
| <b>Total assets</b>                                       | <b>11,940,314</b> | <b>733,080</b>   | <b>6,247</b>                                 | <b>1,785</b>                         | <b>757</b>  | <b>(373,425)</b>    | <b>12,308,758</b> |
| <b>Total liabilities</b>                                  | <b>11,129,724</b> | <b>753,811</b>   | <b>517</b>                                   | <b>303</b>                           | <b>23</b>   | <b>(381,421)</b>    | <b>11,502,957</b> |

The Group operates in one geographical segment – Lithuania.

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



**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 NET INTEREST INCOME**

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2010</b>    | <b>2009</b>    | <b>2010</b>    | <b>2009</b>    |
| Interest income:                                     |                |                |                |                |
| on due from banks                                    | 3,681          | 4,911          | 3,681          | 4,904          |
| on loans and advances to customers                   | 393,393        | 570,433        | 405,036        | 578,049        |
| on finance lease receivables                         | 21,106         | 40,405         | -              | -              |
| on trading securities                                | 5,258          | 5,285          | 5,021          | 5,285          |
| on available for sale securities                     | 3,172          | 11,705         | 3,172          | 11,444         |
| <b>Total</b>   | <b>426,610</b> | <b>632,739</b> | <b>416,910</b> | <b>599,682</b> |
| on securities at fair value through profit or loss   | 18,359         | 15,550         | 18,359         | 15,550         |
| <b>Total interest income</b>                         | <b>444,969</b> | <b>648,289</b> | <b>435,269</b> | <b>615,232</b> |
| Interest expense                                     |                |                |                |                |
| on due to banks                                      | 100,834        | 183,215        | 95,770         | 161,404        |
| on deposits and other repayable funds from customers | 46,345         | 103,931        | 46,358         | 104,400        |
| on debt securities issued                            | 28,114         | 53,596         | 28,114         | 53,596         |
| on subordinated loans                                | 10,422         | 15,046         | 10,422         | 15,046         |
| on fees for compulsory insurance of deposits         | 17,333         | 16,176         | 17,330         | 16,173         |
| <b>Total interest expense</b>                        | <b>203,048</b> | <b>371,964</b> | <b>197,994</b> | <b>350,619</b> |
| <b>Net interest income</b>                           | <b>241,921</b> | <b>276,325</b> | <b>237,275</b> | <b>264,613</b> |

**NOTE 2 NET FEE AND COMMISSION INCOME**

|   | <b>Group</b>  |               | <b>Bank</b>   |               |
|---|---------------|---------------|---------------|---------------|
|   | <b>2010</b>   | <b>2009</b>   | <b>2010</b>   | <b>2009</b>   |
| Fee and commission income:              |               |               |               |               |
| on assets under management              | 1,282         | 1,486         | 1,282         | 1,486         |
| money transfer operations               | 29,842        | 29,067        | 29,878        | 29,114        |
| payment cards services                  | 18,029        | 17,112        | 18,029        | 17,112        |
| securities operations                   | 2,358         | 2,006         | 2,376         | 2,225         |
| currency (EUR) exchange                 | 6,459         | 7,516         | 6,459         | 7,516         |
| trust and other fiduciary activities    | 4,479         | 3,471         | 367           | 161           |
| guarantee commissions                   | 2,942         | 2,385         | 7,494         | 7,970         |
| commissions for intermediation          | 2,394         | 1,847         | 3,537         | 2,336         |
| other                                   | 6,988         | 6,173         | 6,457         | 5,997         |
| <b>Total fee and commission income</b>  | <b>74,773</b> | <b>71,063</b> | <b>75,879</b> | <b>73,917</b> |
| Fee and commission expense:             |               |               |               |               |
| money transfer operations               | 1,595         | 1,618         | 1,595         | 1,618         |
| payment cards services                  | 13,083        | 13,030        | 13,083        | 13,030        |
| securities operations                   | 303           | 420           | 303           | 348           |
| currency (EUR) exchange                 | 489           | 394           | 489           | 394           |
| trust and other fiduciary activities    | 400           | 544           | 400           | 544           |
| other                                   | 804           | 416           | 169           | 212           |
| <b>Total fee and commission expense</b> | <b>16,674</b> | <b>16,422</b> | <b>16,039</b> | <b>16,146</b> |
| <b>Net fee and commission income</b>    | <b>58,099</b> | <b>54,641</b> | <b>59,840</b> | <b>57,771</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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

|  | <b>Group</b>    |               | <b>Bank</b>     |               |
|--|-----------------|---------------|-----------------|---------------|
|  | <b>2010</b>     | <b>2009</b>   | <b>2010</b>     | <b>2009</b>   |
| Trading securities   |                 |               |                 |               |
| Debt securities:   |                 |               |                 |               |
| Realized gain (loss)   | 8,059           | 11,776        | 8,059           | 11,776        |
| Unrealized gain (loss)   | 131             | 3,508         | 131             | 3,508         |
| Equity securities:   |                 |               |                 |               |
| Realized gain (loss)   | -               | (11)          | -               | (11)          |
| <b>Net gain (loss) from trading securities</b>                                       | <b>8,190</b>    | <b>15,273</b> | <b>8,190</b>    | <b>15,273</b> |
| Derivative financial instruments   |                 |               |                 |               |
| Realized gain (loss)   | 12,691          | 55,944        | 12,691          | 55,944        |
| Unrealized gain (loss)   | (27,375)        | 9,067         | (27,375)        | 9,067         |
| <b>Net gain (loss) from derivative financial instruments</b>                         | <b>(14,684)</b> | <b>65,011</b> | <b>(14,684)</b> | <b>65,011</b> |
| Securities, available for sale (Note 32):  |                 |               |                 |               |
| Realized gain (loss) on debt securities  | 120             | (635)         | 83              | (671)         |
| Realized gain (loss) on funds units  | 4               | -             | -               | -             |
| <b>Net gain (loss) from available for sale securities</b>                            | <b>124</b>      | <b>(635)</b>  | <b>83</b>       | <b>(671)</b>  |
| Securities designated at fair value through profit or loss                           |                 |               |                 |               |
| Realized gain (loss)   | 1,055           | (4,314)       | 1,055           | (4,314)       |
| Unrealized gain (loss)   | 886             | 4,907         | 886             | 4,907         |
| <b>Net gain (loss) on securities designated at fair value through profit or loss</b> | <b>1,941</b>    | <b>593</b>    | <b>1,941</b>    | <b>593</b>    |
| Realized gain (loss) from operations with debt securities issued                     | 2,672           | 8,983         | 2,672           | 8,983         |
| Net gain (loss) from trading with equity securities                                  | -               | (8)           | -               | (8)           |
| Received dividends   | 12              | 10            | 1,660           | 1,209         |
| <b>Total</b>   | <b>(1,745)</b>  | <b>89,227</b> | <b>(138)</b>    | <b>90,390</b> |

**NOTE 4 IMPAIRMENT LOSSES AND PROVISIONS**

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2010</b>    | <b>2009</b>    | <b>2010</b>    | <b>2009</b>    |
| Impairment losses on loans:                              |                |                |                |                |
| Increase of impairment losses, net                       | 237,348        | 572,681        | 224,619        | 572,681        |
| Recovered previously written off loans                   | (2,405)        | (2,803)        | (2,405)        | (2,803)        |
| Total impairment losses on loans                         | 234,943        | 569,878        | 222,214        | 569,878        |
| Impairment losses on finance lease receivables (Note 18) | (44,193)       | 103,499        | -              | -              |
| Impairment losses for other assets                       | 52,347         | 8,035          | (28)           | 24             |
| Impairment losses for investment in subsidiary           | -              | -              | 81,819         | 19,310         |
| Expenses for provisions on guarantees                    | (29)           | 269            | (40,859)       | 95,534         |
| <b>Total</b>   | <b>243,068</b> | <b>681,681</b> | <b>263,146</b> | <b>684,746</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 5 OTHER INCOME**

|  | <b>Group</b>  |               | <b>Bank</b>   |               |
|--|---------------|---------------|---------------|---------------|
|  | <b>2010</b>   | <b>2009</b>   | <b>2010</b>   | <b>2009</b>   |
| On sale of property and other security | 8,221         | 2,095         | 625           | 465           |
| On rent of property                    | 676           | 934           | 727           | 990           |
| On services related to IT development  | 7,332         | 6,385         | 7,332         | 6,385         |
| On operating lease                     | 1,607         | 3,724         | -             | -             |
| Other                                  | 3,765         | 2,749         | 3,252         | 2,411         |
| <b>Total</b>                           | <b>21,601</b> | <b>15,887</b> | <b>11,936</b> | <b>10,251</b> |

**NOTE 6 PERSONNEL EXPENSES**

|                                     | <b>Group</b>  |               | <b>Bank</b>   |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | <b>2010</b>   | <b>2009</b>   | <b>2010</b>   | <b>2009</b>   |
| Salaries                            | 57,245        | 55,087        | 55,783        | 53,293        |
| Social insurance                    | 19,527        | 18,967        | 19,100        | 18,437        |
| Training and business trip expenses | 2,452         | 2,440         | 2,413         | 2,421         |
| Other                               | 6,681         | 6,936         | 6,681         | 6,936         |
| <b>Total</b>                        | <b>85,905</b> | <b>83,430</b> | <b>83,977</b> | <b>81,087</b> |

**NOTE 7 DEPRECIATION AND AMORTISATION**

|  | <b>Group</b>  |               | <b>Bank</b>   |               |
|--|---------------|---------------|---------------|---------------|
|  | <b>2010</b>   | <b>2009</b>   | <b>2010</b>   | <b>2009</b>   |
| Amortisation of intangible assets                    | 2,259         | 2,241         | 2,030         | 1,909         |
| Depreciation of property, plant and equipment assets | 14,630        | 18,379        | 13,194        | 15,171        |
| <b>Total</b>   | <b>16,889</b> | <b>20,620</b> | <b>15,224</b> | <b>17,080</b> |

**NOTE 8 OTHER ADMINISTRATIVE EXPENSES**

|  | <b>Group</b>   |               | <b>Bank</b>   |               |
|--|----------------|---------------|---------------|---------------|
|  | <b>2010</b>    | <b>2009</b>   | <b>2010</b>   | <b>2009</b>   |
| Rent of premises and maintenance expenses                | 15,081         | 15,626        | 14,997        | 15,580        |
| Transportation, post and communications expenses         | 8,472          | 10,004        | 8,191         | 9,610         |
| Advertising and marketing expenses                       | 3,171          | 3,475         | 3,049         | 3,338         |
| Office equipment and maintenance expenses                | 15,873         | 12,345        | 15,787        | 12,206        |
| Cash collection, consultancy and other services expenses | 9,644          | 18,472        | 9,403         | 18,357        |
| Taxes other than income tax                              | 15,204         | 14,130        | 13,520        | 13,502        |
| Foreclosed assets expenses                               | 14,129         | 10,395        | 332           | 394           |
| Other expenses   | 23,280         | 8,694         | 21,599        | 6,902         |
| <b>Total</b>   | <b>104,854</b> | <b>93,141</b> | <b>86,878</b> | <b>79,889</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 9 INCOME TAX**

|  | <b>Group</b> |               | <b>Bank</b> |               |
|--|--------------|---------------|-------------|---------------|
|  | <b>2010</b>  | <b>2009</b>   | <b>2010</b> | <b>2009</b>   |
| Current tax for the year                 | (2)          | (1,868)       | (2)         | (1,386)       |
| Change of deferred tax asset (see below) | (16)         | 29,540        | -           | 30,165        |
| <b>Total</b>                             | <b>(18)</b>  | <b>27,672</b> | <b>(2)</b>  | <b>28,779</b> |

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:

|   | <b>Group</b> |             | <b>Bank</b> |             |
|---|--------------|-------------|-------------|-------------|
|   | <b>2010</b>  | <b>2009</b> | <b>2010</b> | <b>2009</b> |
| Profit (loss) before income tax                             | (113,075)    | (434,545)   | (122,631)   | (431,408)   |
| Tax calculated at a tax rate of 15% for 2010 (20% for 2009) | 16,961       | 86,909      | 18,395      | 86,282      |
| Income not subject to tax                                   | 4,437        | 4,606       | 3,996       | 3,765       |
| Expenses not deductible for tax purposes                    | (9,946)      | (8,697)     | (16,888)    | (5,406)     |
| Income on securities subject to tax                         | (2,577)      | (3,935)     | (2,571)     | (3,929)     |
| Effect of changes in tax rate                               | -            | (12,812)    | -           | (15,473)    |
| Change in unrecognised deferred tax asset                   | (8,893)      | (37,013)    | (2,934)     | (35,074)    |
| Adjustment of previous year income tax                      | -            | (1,386)     | -           | (1,386)     |
| Income tax charge/(credit)                                  | (18)         | 27,672      | (2)         | 28,779      |

**Movement in deferred tax asset**

|                                     |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
| At the beginning of the year        | 30,457        | 2,872         | 30,446        | 2,235         |
| Charge (credit) to equity (Note 31) | (258)         | (1,955)       | (258)         | (1,955)       |
| Income statement credit (charge)    | (16)          | 29,540        | -             | 30,165        |
| <b>At the end of the year</b>       | <b>30,184</b> | <b>30,457</b> | <b>30,188</b> | <b>30,445</b> |

In 2010 LTL 384 thousand of deferred tax (out of 30,184 thousand) is related to revaluation of available for sale securities (in 2009 LTL 641 thousand).

15% tax rate was used to calculate deferred income taxes in 2010 and 2009.

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

**Group – deferred tax liabilities**

|   | <b>VAT on long term assets</b> | <b>Valuation of securities</b> | <b>Total</b> |
|---|--------------------------------|--------------------------------|--------------|
| As at 1 January 2009                    | 2,536                          | 12                             | 2,548        |
| Charged/ (credited) in income statement | (344)                          | 612                            | 268          |
| As at 1 January 2010                    | 2,192                          | 624                            | 2,816        |
| Charged/ (credited) in income statement | (3)                            | 8                              | 5            |
| <b>As at 31 December 2010</b>           | <b>2,189</b>                   | <b>632</b>                     | <b>2,821</b> |

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

**NOTE 9 INCOME TAX (continued)**

**Group – deferred income tax asset**

|   | Deprecia-<br>tion of long-<br>term assets | Valuation<br>of<br>securities | Tax<br>losses | Accrued<br>expenses/<br>deferred<br>income | Total         |
|---|---|-------------------------------|---------------|--|---------------|
| As at 1 January 2009                    | 620                                       | 3,789                         | -             | 1,011                                      | 5,420         |
| Charged/ (credited) in income statement | 147                                       | (972)                         | 68,367        | (721)                                      | 66,821        |
| Allowance for deferred tax assets       | -   | -                             | (37,013)      | -  | (37,013)      |
| Charged/ (credited) to equity           | -   | (1,955)                       | -             | -  | (1,955)       |
| As at 1 January 2010                    | 767                                       | 862                           | 31,354        | 290  | 33,273        |
| Charged/ (credited) in income statement | 275                                       | (362)                         | 8,893         | 77   | 8,883         |
| Allowance for deferred tax assets       | -   | -                             | (8,893)       | -  | (8,893)       |
| Charged/ (credited) to equity           | -   | (258)                         | -             | -  | (258)         |
| <b>As at 31 December 2010</b>           | <b>1,042</b>                              | <b>242</b>                    | <b>31,354</b> | <b>367</b>                                 | <b>33,005</b> |

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The deferred tax assets recognised at 31 December 2010 in respect of tax losses have been based on profitability assumptions over five year horizon. The expected future taxable profits are based on business plan assumptions taking into consideration uncertainties arising from the current adverse economic environment. If the business plan earnings and assumptions in following quarters substantially deviate from the current assumptions, the amount of existing deferred tax assets may need to be adjusted.

As at 31 December 2010 the Group has LTL 515,067 thousand of unused tax losses which has no expiry date.

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

**Bank – deferred income tax liability**

|   | VAT on<br>long term<br>assets | Valuation<br>of<br>securities | Total        |
|---|-------------------------------|-------------------------------|--------------|
| As at 1 January 2009                    | 2,536                         | 12                            | 2,548        |
| Charged/ (credited) in income statement | (344)                         | 612                           | 268          |
| As at 1 January 2010                    | 2,192                         | 624                           | 2,816        |
| Charged/ (credited) in income statement | (3)                           | (23)                          | (26)         |
| <b>As at 31 December 2010</b>           | <b>2,189</b>                  | <b>601</b>                    | <b>2,790</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 9 INCOME TAX (continued)**

**Bank – deferred income tax assets**

|   | <b>Deprecia-<br/>tion of<br/>long-term<br/>assets</b> | <b>Valuation<br/>of<br/>securities</b> | <b>Tax<br/>losses</b> | <b>Accrued<br/>expenses<br/>/deferred<br/>income</b> | <b>Total</b>  |
|---|---|--|-----------------------|--|---------------|
| As at 1 January 2009                    | 620   | 3,705                                  | -                     | 458  | 4,783         |
| Charged/ (credited) in income statement | 147   | (897)                                  | 66,428                | (171)  | 65,507        |
| Allowance for deferred tax assets       | -   | -                                      | (35,074)              | -  | (35,074)      |
| Charged/ (credited) to equity           | -   | (1,955)                                | -                     | -  | (1,955)       |
| As at 1 January 2010                    | 767   | 853                                    | 31,354                | 287  | 33,261        |
| Charged/ (credited) in income statement | 275   | (353)                                  | 2,934                 | 53   | 2,909         |
| Allowance for deferred tax assets       | -   | -                                      | (2,934)               | -  | (2,934)       |
| Charged/ (credited) to equity           | -   | (258)                                  | -                     | -  | (258)         |
| <b>As at 31 December 2010</b>           | <b>1,042</b>  | <b>242</b>                             | <b>31,354</b>         | <b>340</b>   | <b>32,978</b> |

As at 31 December 2010 the Bank has LTL 462,415 thousand of unused tax losses to carry forward which has no expiry date.

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

|                                 | <b>Group</b>  |               | <b>Bank</b>   |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | <b>2010</b>   | <b>2009</b>   | <b>2010</b>   | <b>2009</b>   |
| Deferred income tax assets      | 33,005        | 33,273        | 32,978        | 33,261        |
| Deferred income tax liabilities | (2,821)       | (2,816)       | (2,790)       | (2,816)       |
|                                 | <b>30,184</b> | <b>30,457</b> | <b>30,188</b> | <b>30,445</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

(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.

| <b>Calculation of weighted average for 2010</b> | <b>Note</b> | <b>Number of shares</b> | <b>Par value</b> | <b>Issued/ 365 (days)</b> | <b>Weighted average</b> |
|---|-------------|-------------------------|------------------|---------------------------|-------------------------|
| Shares issued as of 31 December 2009            |             | 5,710,134               | 115              | 365/365                   | 5,348,753               |
| <b>Shares issued as of 31 December 2010</b>     | <b>31</b>   | <b>5,710,134</b>        | <b>115</b>       | <b>365/365</b>            | <b>5,710,134</b>        |

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

|   | <b>2010</b>  | <b>2009</b>  |
|---|--------------|--------------|
|   | <b>Group</b> | <b>Group</b> |
| Profit attributed to equity holders of the parent | (113,093)    | (406,873)    |
| Weighted average number of issued shares (units)  | 5,710,134    | 5,348,753    |
| Earnings per share (LTL per share)                | (19.81)      | (76.07)      |

The 2010 and 2009 diluted earnings per share ratios are the same as basic earnings per share.

**NOTE 11 CASH AND BALANCES WITH CENTRAL BANKS**

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2010</b>    | <b>2009</b>    | <b>2010</b>    | <b>2009</b>    |
| Cash and other valuables                 | 225,250        | 228,508        | 225,250        | 228,508        |
| Placements with Central Bank:            |                |                |                |                |
| Compulsory reserves in national currency | 242,806        | 139,689        | 242,806        | 139,689        |
| Correspondent account with central bank  | 57,786         | -              | 57,786         | -              |
| <b>Total</b>                             | <b>525,842</b> | <b>368,197</b> | <b>525,842</b> | <b>368,197</b> |

Required reserves held with the bank of Lithuania are calculated monthly on a basis of previous month end liabilities and 4% (4% as of 31 December 2009) 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**

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2010</b>    | <b>2009</b>    | <b>2010</b>    | <b>2009</b>    |
| Due from banks                                 |                |                |                |                |
| Demand deposits                                | 167,470        | 162,790        | 167,470        | 162,790        |
| of which funds to secure the derivatives deals | 23,217         | 3,729          | 23,217         | 3,729          |
| Term deposits                                  | 315,934        | 167,452        | 315,934        | 167,452        |
| Short term loans                               | 2              | -              | 2              | -              |
| <b>Total</b>                                   | <b>483,406</b> | <b>330,242</b> | <b>483,406</b> | <b>330,242</b> |

There were no allowances for impairment against due from banks neither at Bank nor at the Group level as of end of 2010. Respectively, there were no changes in allowance for loan impairment and write-offs for such due and allowances in 2008 and 2009.

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

**NOTE 13 TRADING SECURITIES**

**Group (Bank)**

|  | 2010                             |  |  | 2009                             |  |  |
|--|----------------------------------|--|--|----------------------------------|--|--|
|  | 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 | 21,370                           | -  | -  | 14,561                           | -  | -  |
| Bonds issued by other banks                                      | -                                | 150  | -  | 26,581                           | -  | -  |
| Government bonds of foreign issuers                              | 489                              | 8,168  | -  | 32,890                           | -  | -  |
| <b>Total</b>   | <b>21,859</b>                    | <b>8,318</b>   | <b>-</b>   | <b>74,032</b>                    | <b>-</b>   | <b>-</b>   |

In 2009 and 2010 bank has pledged part of Lithuanian government bonds under repurchase agreements to individuals. Balance amount of repurchase was respectively LTL 9,336 thousand and LTL 9,258 thousand.

The movement of securities between levels is presented below:

**Group (Bank)**

|   |              |
|---|--------------|
| <b>As at 1 January 2010</b>   | <b>-</b>     |
| Transfers into level 2  | <b>8,318</b> |
| Transfers out of level 2  | -            |
| Unrealised gains/losses for assets held at the end of the reporting period included in equity       | -            |
| Realised gains/losses for assets held at the end of the reporting period included in profit or loss | -            |
| Sales   | -            |
| <b>As at 31 December 2010</b>   | <b>8,318</b> |
| <b>As at 1 January 2009</b>   | <b>560</b>   |
| Transfers into level 3  | -            |
| Transfers out of level 3  | (205)        |
| Unrealised gains/losses for assets held at the end of the reporting period included in equity       | -            |
| Realised gains/losses for assets held at the end of the reporting period included in profit or loss | -            |
| Sales   | (355)        |
| <b>As at 31 December 2009</b>   | <b>-</b>     |



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

**NOTE 14 SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

**Group (Bank)**

|   | 2010                             |  |  | 2009                             |  |  |
|---|----------------------------------|--|--|----------------------------------|--|--|
|   | 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 | 408,376                          | -  | -  | 158,110                          | -  | -  |
| Bonds issued by other banks                   | -                                | 13,995   | -  | 42,660                           | -  | -  |
| Government bonds of foreign issuers           | 29,690                           | 7,437  | -  | 30,256                           | -  | -  |
| <b>Total</b>                                  | <b>438,066</b>                   | <b>21,432</b>  | <b>-</b>   | <b>231,026</b>                   | <b>-</b>   | <b>-</b>   |

The movement of securities between levels is presented below:

**Group (Bank)**

|   |                |
|---|----------------|
| <b>As at 1 January 2010</b>   | -              |
| Transfers into level 2  | <b>21,432</b>  |
| Transfers out of level 2  | -              |
| Unrealised gains/losses for assets held at the end of the reporting period included in equity       | -              |
| Realised gains/losses for assets held at the end of the reporting period included in profit or loss | -              |
| Sales   | -              |
| <b>As at 31 December 2010</b>   | <b>21,432</b>  |
| <b>As at 1 January 2009</b>   | <b>162,048</b> |
| Transfers into level 3  | -              |
| Transfers out of level 3  | (115,640)      |
| Unrealised gains/losses for assets held at the end of the reporting period included in equity       | -              |
| Realised gains/losses for assets held at the end of the reporting period included in profit or loss | -              |
| Sales   | (46,408)       |
| <b>As at 31 December 2009</b>   | <b>-</b>       |

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

**Group (Bank)**

|   | 2010 |                     | 2009 |                     |
|---|------|---------------------|------|---------------------|
|   | %    | Maturity (in years) | %    | Maturity (in years) |
| Government bonds of the Republic of Lithuania | 1.9  | 0.9                 | 4.8  | 2.0                 |
| Government bonds of foreign issuers           | 2.9  | 1.8                 | 5.4  | 1.5                 |
| Bonds issued by other banks                   | 8.8  | 0.1                 | -    | -                   |

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

#### NOTE 15 DERIVATIVE FINANCIAL INSTRUMENTS

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

- Currency forwards, which represent commitments to purchase and/or sell foreign and domestic currency in the future at a fixed price.
- Foreign exchange swap deals – agreements to exchange different currencies at an 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 agreements – agreements on interest rates for a notional amount of deposit or credit that will start in the future.
- Interest rate swaps – contractual agreements according to which a cash flow based on the fixed interest rate calculated on the notional amount is replaced with a 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 where currencies are swapped in addition to the interest rates can be contracted.
- Interest rate collars – agreements that set limits on a variable interest rate payable by the buyer: the buyer has the right to receive compensation when an interest rate exceeds a certain level (ceiling) and an obligation to pay compensation when an interest rate falls below a certain level (floor). Upon making the agreement, the buyer of a collar pays or receives (depending on the terms) an initial payment – a 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 an agreement (currency, equity or commodities) for a price agreed beforehand. For equities and commodities, the Group uses only options that are executed in cash – that is the seller pays to the buyer a certain amount that depends on the price change, if such change was in the buyer's favour. The buyer pays a 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 a deal is made with the client, at the same time opposite deals are made with other banks.
- Credit default swaps (CDS), which are used as a protection against a default event of a certain reference entity. The buyer of CDS receives a protection and pays a preset annual rate for that. In case of default of a reference entity, the buyer would receive from the seller the payment of the nominal amount of CDS reduced by the expected recovery rate.

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

Aggregate amounts of derivative 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   |
| <b>As at 31 December 2010</b>         |                  |                  |               |               |
| FX forwards, swaps, put, call options | 1,821,727        | 1,824,867        | 8,180         | 10,569        |
| Interest rate swaps, collars          | 3,570,011        | 3,570,011        | 11,856        | 49,848        |
| Equity linked options                 | 146,916          | -                | 4,214         | -             |
| Credit related agreements             | 17,495           | 8,632            | 433           | 1,445         |
| <b>Total</b>                          | <b>5,556,149</b> | <b>5,403,510</b> | <b>24,683</b> | <b>61,862</b> |
| <b>As at 31 December 2009</b>         |                  |                  |               |               |
| FX forwards, swaps, put, call options | 3,074,710        | 3,044,532        | 38,796        | 12,399        |
| Interest rate swaps, collars          | 4,548,092        | 4,548,092        | 17,685        | 59,461        |
| Equity linked options                 | 697,989          | -                | 7,004         | -             |
| Commodity linked options              | 31,490           | -                | 293           | -             |
| Credit related agreements             | 17,495           | 8,632            | 265           | 764           |
| <b>Total</b>                          | <b>8,369,776</b> | <b>7,601,256</b> | <b>64,043</b> | <b>72,624</b> |

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

**NOTE 16 SECURITIES AVAILABLE FOR SALE**

**Group**

|  | 2010           |  |  | 2009           |  |  |
|--|----------------|--|--|----------------|--|--|
|  | 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 | 4,729          | -  | -  | 3,568          | -  | 143  |
| Bonds of the banks   | 317,600        | -  | -  | 336,777        | -  | 51,671   |
| Equity securities  |                |  |  |                |  |  |
| Units of funds   | 700            | -  | -  | 767            | -  | -  |
| Other  | 896            | -  | -  | 830            | -  | -  |
| <b>Total</b>   | <b>323,925</b> | <b>-</b>   | <b>-</b>   | <b>341,942</b> | <b>-</b>   | <b>51,814</b>  |

**Bank**

|                    | 2010           |  |  | 2009           |  |  |
|--------------------|----------------|--|--|----------------|--|--|
|                    | 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 | 317,600        | -  | -  | 336,232        | -  | 51,671   |
| Equity securities  |                |  |  |                |  |  |
| Other              | 896            | -  | -  | 830            | -  | -  |
| <b>Total</b>       | <b>318,496</b> | <b>-</b>   | <b>-</b>   | <b>337,062</b> | <b>-</b>   | <b>51,671</b>  |

Total amount of available for sale securities are unimpaired assets.  
The movement of securities measured at fair value based on valuation techniques not based on observable market data (level 3) during 2010 and 2009:

|   | Group          | Bank           |
|---|----------------|----------------|
| <b>As at 1 January 2010</b>   | <b>51,814</b>  | <b>51,671</b>  |
| Transfers out level 3   | -              | -              |
| Unrealised gains/losses for assets held at the end of the reporting period included in equity       | -              | -              |
| Realised gains/losses for assets held at the end of the reporting period included in profit or loss | -              | -              |
| Sales   | (51,814)       | (51,671)       |
| <b>As at 31 December 2010</b>   | <b>-</b>       | <b>-</b>       |
| <b>As at 1 January 2009</b>   | <b>203,466</b> | <b>203,320</b> |
| Transfers into level 3  | 17,284         | 17,284         |
| Transfers out of level 3  | (159,130)      | (159,130)      |
| Unrealised gains/losses for assets held at the end of the reporting period included in equity       | (170)          | (167)          |
| Realised gains/losses for assets held at the end of the reporting period included in profit or loss | -              | -              |
| Sales   | (9,636)        | (9,636)        |
| <b>As at 31 December 2009</b>   | <b>51,814</b>  | <b>51,671</b>  |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 17 LOANS AND ADVANCES TO CUSTOMERS**

|   | <b>Group</b>     |                   | <b>Bank</b>       |                   |
|---|------------------|-------------------|-------------------|-------------------|
|   | <b>2010</b>      | <b>2009</b>       | <b>2010</b>       | <b>2009</b>       |
| <b>Loans and advances to financial institutions</b>   | <b>67</b>        | <b>216</b>        | <b>548,328</b>    | <b>247,703</b>    |
| Loans to business customers:                          |                  |                   |                   |                   |
| - Public authorities, state and municipal entities    | 573,030          | 397,369           | 573,030           | 397,369           |
| - Large corporates                                    | 2,330,453        | 2,747,426         | 2,330,453         | 2,747,426         |
| - SMEs  | 2,122,341        | 2,363,333         | 2,132,691         | 2,363,352         |
| - Farmers   | 230,956          | 271,404           | 230,956           | 271,404           |
| - Other   | 4,747            | 18,353            | 4,747             | 18,353            |
| <b>Total loans to business customers</b>              | <b>5,261,527</b> | <b>5,797,885</b>  | <b>5,271,877</b>  | <b>5,797,904</b>  |
| Loans to individuals (retail):                        |                  |                   |                   |                   |
| - Consumer loans                                      | 278,968          | 418,072           | 278,968           | 418,072           |
| - Mortgages   | 3,886,180        | 3,914,866         | 3,886,180         | 3,914,866         |
| - Loans secured by equity linked bonds issued by Bank | 91,383           | 547,682           | 91,383            | 547,682           |
| - Other   | 76,499           | 52,631            | 76,499            | 52,631            |
| <b>Total loans to individuals (retail)</b>            | <b>4,333,030</b> | <b>4,933,251</b>  | <b>4,333,030</b>  | <b>4,933,251</b>  |
| <b>Total gross loans granted</b>                      | <b>9,594,624</b> | <b>10,731,352</b> | <b>10,153,235</b> | <b>10,978,858</b> |
| Total allowance for impairment:                       |                  |                   |                   |                   |
| to financial institutions                             | (862,625)        | (667,312)         | (862,625)         | (667,312)         |
| to business customers                                 | (624,095)        | (510,127)         | (624,095)         | (510,127)         |
| to individuals  | (238,530)        | (157,185)         | (238,530)         | (157,185)         |
| <b>Total net loans and advances to customers</b>      | <b>8,731,999</b> | <b>10,064,040</b> | <b>9,290,610</b>  | <b>10,311,546</b> |

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

**Allowance for impairment**

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

**31 December 2010**

|  | <b>Group and Bank loans to individuals (retail)</b> | <b>Group and Bank loans to business customers</b> |
|--|---|---|
| <b>Balance as at 1 January 2010</b>  | <b>157,185</b>                                      | <b>510,127</b>                                    |
| Change in allowance for loan impairment  | 103,457   | 122,186   |
| Loans written off during the year as uncollectible   | (22,112)  | (8,218)   |
| <b>As at 31 December 2010</b>  | <b>238,530</b>                                      | <b>624,095</b>                                    |
| Individual impairment  | 223,169   | 614,210   |
| Collective impairment  | 15,361  | 9,885   |
|  | <b>238,530</b>                                      | <b>624,095</b>                                    |
| Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance | 614,485   | 1,477,674   |

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

**NOTE 17 LOANS AND ADVANCES TO CUSTOMERS (continued)**

**31 December 2009**

|  | <b>Group and Bank<br/>loans to<br/>individuals<br/>(retail)</b> | <b>Group and Bank<br/>loans to<br/>business<br/>customers</b> |
|--|---|---|
| <b>Balance as at 1 January 2009</b>                | <b>28,607</b>   | <b>85,916</b>   |
| Change in allowance for loan impairment            | 143,190   | 429,216   |
| Loans written off during the year as uncollectible | (14,612)  | (5,005)   |
| <b>As at 31 December 2009</b>                      | <b>157,185</b>  | <b>510,127</b>  |
| Individual impairment                              | 135,578   | 473,399   |
| Collective impairment                              | 21,607  | 36,728  |
|  | <b>157,185</b>  | <b>510,127</b>  |

|  |         |           |
|--|---------|-----------|
| Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance | 508,628 | 1,271,198 |
|--|---------|-----------|

Net change in allowance for loan impairment accounts for LTL 225,643 thousand in the year ended 31 December, 2010 (2009: LTL 572,406 thousand).

There were no allowance for impairment against loans and advances financial institutions neither at Bank nor at the Group level as of end of 2010. Respectively, there were no changes in allowance for loan impairment and write-offs for such loans and allowances in 2010 and 2009.

**NOTE 18 FINANCE LEASE RECEIVABLES**

|   | <b>Up to one<br/>year</b> | <b>From 1<br/>to 5 years</b> | <b>Over 5<br/>years</b> | <b>Total</b>   |
|---|---------------------------|------------------------------|-------------------------|----------------|
| Gross investments in leasing                        |                           |                              |                         |                |
| Balance as at 31 December 2009                      | 270,260                   | 377,626                      | 22,804                  | 670,690        |
| Change during 2010                                  | (31,286)                  | (135,458)                    | (2,650)                 | (169,394)      |
| <b>Balance as at 31 December 2010</b>               | <b>238,974</b>            | <b>242,168</b>               | <b>20,154</b>           | <b>501,296</b> |
| Unearned finance income on finance leases           |                           |                              |                         |                |
| Balance as at 31 December 2009                      | 16,587                    | 18,970                       | 956                     | 36,513         |
| Change during 2010                                  | (3,891)                   | (5,513)                      | 459                     | (8,945)        |
| <b>Balance as at 31 December 2010</b>               | <b>12,696</b>             | <b>13,457</b>                | <b>1,415</b>            | <b>27,568</b>  |
| Net investments in finance leases before impairment |                           |                              |                         |                |
| 31 December 2009                                    | 253,673                   | 358,656                      | 21,848                  | 634,177        |
| 31 December 2010                                    | 226,278                   | 228,711                      | 18,738                  | 473,727        |
| Changes in impairment                               |                           |                              |                         |                |
| Balance as at 31 December 2008                      | 7,568                     | 20,627                       | 752                     | 28,947         |
| Increase (decrease) in impairment (Note 4)          | 12,728                    | 90,507                       | 264                     | 103,499        |
| <b>Balance as at 31 December 2009</b>               | <b>20,296</b>             | <b>111,134</b>               | <b>1,016</b>            | <b>132,446</b> |
| Increase (decrease) in impairment (Note 4)          | 22,129                    | (66,292)                     | (30)                    | (44,193)       |
| <b>Balance as at 31 December 2010</b>               | <b>42,425</b>             | <b>44,842</b>                | <b>986</b>              | <b>88,253</b>  |
| Net investments in finance leases after impairment  |                           |                              |                         |                |
| 31 December 2009                                    | 233,377                   | 247,522                      | 20,832                  | 501,731        |
| <b>31 December 2010</b>                             | <b>183,853</b>            | <b>183,869</b>               | <b>17,753</b>           | <b>385,475</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 19 INVESTMENTS IN SUBSIDIARIES**

|  | Share  | Nominal value | 2010           |                   | 2009           |                |
|--|--------|---------------|----------------|-------------------|----------------|----------------|
|  |        |               | Gross value    | Impairment losses | Carrying value | Carrying value |
| Investments in consolidated subsidiaries |        |               |                |                   |                |                |
| DnB NORD Lizingas UAB                    | 100%   | 10            | 105,016        | (105,006)         | 10             | 2,200          |
| DnB NORD Investicijų Valdymas UAB        | 100%   | 2,000         | 4,000          | -                 | 4,000          | 4,000          |
| DnB NORD Būstas UAB                      | 75,47% | 1,040         | 3,700          | (960)             | 2,740          | 3,700          |
| UAB Intractus                            | 25,14% | 5,765         | 5,765          | -                 | 5,765          | 764            |
| UAB Gėlužės projektai                    | 100%   | 21,144        | 21,134         | (13,534)          | 7,600          | -              |
| <b>Total</b>                             |        |               | <b>139,615</b> | <b>(119,500)</b>  | <b>20,115</b>  | <b>10,664</b>  |

During 2010 based on estimated expected future cash flows, business growth and risk costs of subsidiary the Bank recognized LTL 81,819 thousand impairment loss for investment into subsidiary: UAB DnB NORD lizingas – LTL 67,325 thousand, UAB DnB NORD Būstas – LTL 960 thousand, UAB Gėlužės projektai – LTL 13,534 thousand (during 2009 DnB NORD lizingas - LTL 19,310 thousand).

**NOTE 20 BUSINESS COMBINATIONS**

As of 3 June 2010 as a result of foreclosure the Bank bought 100 % of the company Gėlužės projektai UAB by acquiring 10 000 shares for the amount of LTL 1. At the date of the transaction, the fair value of the net assets acquired equalled the total purchase price. At the acquisition date, the fair value of the assets and liabilities of Gėlužės projektai UAB can be specified as follows:

|                   | Recognised on acquisition | Carrying value |
|-------------------|---------------------------|----------------|
| Tangible assets   | 8,079                     | 15,306         |
| Other assets      | -                         | 18             |
| <b>Total</b>      | <b>8,079</b>              | <b>15,324</b>  |
| Loans received    | (8,079)                   | (19,993)       |
| Other liabilities | -                         | (3,521)        |
| <b>Net assets</b> | <b>-</b>                  | <b>(8,190)</b> |

From the date of the combination, the amounts contributed by Gėlužės projektai UAB to the net profit (loss) of the Group were not significant. If the combination had taken place at the beginning of the year, revenue and the profit for the Group would have been not significant.

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 21 PROPERTY, PLANT AND EQUIPMENT**

| <b>Group</b>                             | <b>Buildings and premises</b> | <b>Vehicles</b> | <b>Equipment</b> | <b>Construction in progress</b> | <b>Total</b>   |
|--|-------------------------------|-----------------|------------------|---------------------------------|----------------|
| <u>31 December 2008</u>                  |                               |                 |                  |                                 |                |
| Cost                                     | 94,492                        | 22,980          | 78,274           | 4,805                           | 200,551        |
| Accumulated depreciation                 | (18,074)                      | (7,512)         | (38,282)         | -                               | (63,868)       |
| <b>Net book value</b>                    | <b>76,418</b>                 | <b>15,468</b>   | <b>39,992</b>    | <b>4,805</b>                    | <b>136,683</b> |
| <u>Year ended as at 31 December 2009</u> |                               |                 |                  |                                 |                |
| Net book value as at 1 January           | 76,418                        | 15,468          | 39,992           | 4,805                           | 136,683        |
| Acquisitions                             | -                             | -               | 2,985            | -                               | 2,985          |
| Transfers from construction in progress  | 4,790                         | -               | -                | (4,790)                         | -              |
| Disposals and write-offs                 | (167)                         | (4,373)         | (436)            | -                               | (4,976)        |
| Depreciation charge                      | (3,266)                       | (2,998)         | (12,115)         | -                               | (18,379)       |
| <b>Net book value as at 31 December</b>  | <b>77,775</b>                 | <b>8,097</b>    | <b>30,426</b>    | <b>15</b>                       | <b>116,313</b> |
| <u>31 December 2009</u>                  |                               |                 |                  |                                 |                |
| Cost                                     | 98,625                        | 14,568          | 74,515           | 15                              | 187,723        |
| Accumulated depreciation                 | (20,850)                      | (6,471)         | (44,089)         | -                               | (71,410)       |
| <b>Net book value</b>                    | <b>77,775</b>                 | <b>8,097</b>    | <b>30,426</b>    | <b>15</b>                       | <b>116,313</b> |
| <u>Year ended as at 31 December 2010</u> |                               |                 |                  |                                 |                |
| Net book value at 1 January              | 77,775                        | 8,097           | 30,426           | 15                              | 116,313        |
| Acquisitions                             | -                             | -               | 1,963            | -                               | 1,963          |
| Transfers from construction in progress  | -                             | -               | -                | -                               | -              |
| Disposals and write-offs                 | -                             | (4,816)         | (169)            | -                               | (4,985)        |
| Depreciation charge                      | (3,293)                       | (1,349)         | (9,988)          | -                               | (14,630)       |
| <b>Net book value as at 31 December</b>  | <b>74,482</b>                 | <b>1,932</b>    | <b>22,232</b>    | <b>15</b>                       | <b>98,661</b>  |
| <u>31 December 2010</u>                  |                               |                 |                  |                                 |                |
| Cost                                     | 98,625                        | 4,355           | 73,939           | 15                              | 176,934        |
| Accumulated depreciation                 | (24,143)                      | (2,423)         | (51,707)         | -                               | (78,273)       |
| <b>Net book value</b>                    | <b>74,482</b>                 | <b>1,932</b>    | <b>22,232</b>    | <b>15</b>                       | <b>98,661</b>  |
| Economic life (in years)                 | 50                            | 6               | 3-10             | -                               | -              |

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

|                  |       |   |        |   |        |
|------------------|-------|---|--------|---|--------|
| 31 December 2009 | 1,602 | - | 20,336 | - | 21,938 |
| 31 December 2010 | 50    | - | 25,256 | - | 25,306 |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 21 PROPERTY, PLANT AND EQUIPMENT (continued)**

From the total Group assets amount stated above the assets under operating lease agreements as at 31 December 2010 amounted to 1,968 LTL thousand (in 2009 LTL 8,259 thousand) and are as follows:

|  | <b>Vehicles</b> | <b>Equipment</b> | <b>Total</b>  |
|--|-----------------|------------------|---------------|
| <u>31 December 2008</u>                  |                 |                  |               |
| Cost                                     | 22,909          | 243              | 23,152        |
| Accumulated depreciation                 | (7,502)         | (61)             | (7,563)       |
| <b>Net book value</b>                    | <b>15,407</b>   | <b>182</b>       | <b>15,589</b> |
| <u>Year ended as at 31 December 2009</u> |                 |                  |               |
| Net book value as at 1 January           | 15,407          | 182              | 15,589        |
| Disposals and write-offs                 | (4,344)         | -                | (4,344)       |
| Depreciation charge                      | (2,966)         | (20)             | (2,986)       |
| <b>Net book value as at 31 December</b>  | <b>8,097</b>    | <b>162</b>       | <b>8,259</b>  |
| <u>31 December 2009</u>                  |                 |                  |               |
| Cost                                     | 14,568          | 243              | 14,811        |
| Accumulated depreciation                 | (6,471)         | (81)             | (6,552)       |
| <b>Net book value</b>                    | <b>8,097</b>    | <b>162</b>       | <b>8,259</b>  |
| <u>Year ended as at 31 December 2010</u> |                 |                  |               |
| Net book value at 1 January              | 8,097           | 162              | 8,259         |
| Disposals and write-offs                 | (4,816)         | (106)            | (4,922)       |
| Depreciation charge                      | (1,349)         | (20)             | (1,369)       |
| <b>Net book value as at 31 December</b>  | <b>1,932</b>    | <b>36</b>        | <b>1,968</b>  |
| <u>31 December 2010</u>                  |                 |                  |               |
| Cost                                     | 4,355           | 121              | 4,476         |
| Accumulated depreciation                 | (2,423)         | (85)             | (2,508)       |
| <b>Net book value</b>                    | <b>1,932</b>    | <b>36</b>        | <b>1,968</b>  |
| Economic life (in years)                 | 6               | 6                | -             |



**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 21 PROPERTY, PLANT AND EQUIPMENT (continued)**

| <b>Bank</b>                              | <b>Buildings<br/>and<br/>premises</b> | <b>Vehicles</b> | <b>Equipment</b> | <b>Construc-<br/>tion in<br/>progress</b> | <b>Total</b>   |
|--|---------------------------------------|-----------------|------------------|---|----------------|
| <u>31 December 2008</u>                  |                                       |                 |                  |   |                |
| Cost                                     | 94,492                                | -               | 77,134           | 4,805                                     | 176,431        |
| Accumulated depreciation                 | (18,074)                              | -               | (37,838)         | -   | (55,912)       |
| <b>Net book value</b>                    | <b>76,418</b>                         | <b>-</b>        | <b>39,296</b>    | <b>4,805</b>                              | <b>120,519</b> |
| <u>Year ended as at 31 December 2009</u> |                                       |                 |                  |   |                |
| Net book value as at 1 January           | 76,418                                | -               | 39,296           | 4,805                                     | 120,519        |
| Acquisitions                             | -                                     | -               | 2,982            | -   | 2,982          |
| Transfers from construction in progress  | 4,790                                 | -               | -                | (4,790)                                   | -              |
| Disposals and write-offs                 | (167)                                 | -               | (222)            | -   | (389)          |
| Depreciation charge                      | (3,266)                               | -               | (11,905)         | -   | (15,171)       |
| <b>Net book value as at 31 December</b>  | <b>77,775</b>                         | <b>-</b>        | <b>30,151</b>    | <b>15</b>                                 | <b>107,941</b> |
| <u>31 December 2009</u>                  |                                       |                 |                  |   |                |
| Cost                                     | 98,625                                | -               | 73,838           | 15  | 172,478        |
| Accumulated depreciation                 | (20,850)                              | -               | (43,687)         | -   | (64,537)       |
| <b>Net book value</b>                    | <b>77,775</b>                         | <b>-</b>        | <b>30,151</b>    | <b>15</b>                                 | <b>107,941</b> |
| <u>Year ended as at 31 December 2010</u> |                                       |                 |                  |   |                |
| Net book value as at 1 January           | 77,775                                | -               | 30,151           | 15  | 107,941        |
| Acquisitions                             | -                                     | -               | 1,956            | -   | 1,956          |
| Transfers from construction in progress  | -                                     | -               | -                | -   | -              |
| Disposals and write-offs                 | -                                     | -               | (54)             | -   | (54)           |
| Depreciation charge                      | (3,293)                               | -               | (9,901)          | -   | (13,194)       |
| <b>Net book value as at 31 December</b>  | <b>74,482</b>                         | <b>-</b>        | <b>22,152</b>    | <b>15</b>                                 | <b>96,649</b>  |
| <u>31 December 2010</u>                  |                                       |                 |                  |   |                |
| Cost                                     | 98,625                                | -               | 73,415           | 15  | 172,055        |
| Accumulated depreciation                 | (24,143)                              | -               | (51,263)         | -   | (75,406)       |
| <b>Net book value</b>                    | <b>74,482</b>                         | <b>-</b>        | <b>22,152</b>    | <b>15</b>                                 | <b>96,649</b>  |
| Economic life (in years)                 | 50                                    | -               | 3-10             | -   | -              |

No assets were pledged to a third party as at 31 December 2010 and 31 December 2009.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment as at 31 December 2010 and 31 December 2009.

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

|                  |       |   |        |   |        |
|------------------|-------|---|--------|---|--------|
| 31 December 2009 | 1,602 | - | 20,272 | - | 21,874 |
| 31 December 2010 | 50    | - | 25,067 | - | 25,117 |

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

**NOTE 22 INVESTMENT PROPERTY**

|   | <b>Group</b>  | <b>Bank</b> |
|---|---------------|-------------|
| <b>31 December 2009</b>   |               |             |
| Acquisitions  | 754           | -           |
| <b>Book value as at 31 December 2009</b>  | <b>754</b>    | <b>-</b>    |
| <b>Book value as at 1 January 2010</b>  | <b>754</b>    | <b>-</b>    |
| Acquisitions  | 39,850        | -           |
| acquisitions through business combinations  | 7,600         | -           |
| other acquisitions  | 32,250        | -           |
| Additions, capitalised investments  | 10            | -           |
| Net gains resulting from adjustment to fair value   | 7             | -           |
| Disposals   | (350)         | -           |
| <b>Book value as at 31 December</b>   | <b>40,271</b> | <b>-</b>    |
| <b>31 December 2010</b>   |               |             |
| Rental income from investment properties  | 25            | -           |
| Direct expenses (including repairs and maintenance) related to investment properties not generating rental income | 11            | -           |

Investment properties are stated at fair value, which has been determined according to valuations performed by accredited independent valuers. The valuation model for the Group's investment properties was formed based on comparable property objects sold during the years 2009 and 2010.

The average prices of land plots and buildings used in determining the fair value according to their purpose were as follows:

| <b>Land plots</b> | <b>Average prices per are, in LTL thousand</b> |
|-------------------|--|
| Commercial        | 5.9 - 11.6                                     |
| Residential       | 8.0 - 40.2                                     |
| Other             | 0.8 - 11.6                                     |

| <b>Buildings</b> | <b>Average prices per sq.m., in LTL thousand</b> |
|------------------|--|
| Commercial       | 8.1 - 9.4  |
| Storage          | 0.8  |
| Manufacturing    | 0.3 - 0.4  |
| Other            | 1.9 - 4.4  |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 23 INTANGIBLE ASSETS**

|  | <b>Group</b>  | <b>Bank</b>  |
|--|---------------|--------------|
| <b>31 December 2008</b>  |               |              |
| Cost   | 18,918        | 17,627       |
| Accumulated amortisation   | (10,941)      | (10,212)     |
| <b>Net book value</b>  | <b>7,977</b>  | <b>7,415</b> |
| <u>Year ended as at 31 December 2009</u>   |               |              |
| Net book value as at 1 January   | 7,977         | 7,415        |
| Acquisitions   | 4,470         | 4,380        |
| Amortisation charge  | (2,241)       | (1,909)      |
| Disposals and write-offs   | (7)           | -            |
| <b>Net book value as at 31 December</b>  | <b>10,199</b> | <b>9,886</b> |
| <u>31 December 2009</u>  |               |              |
| Cost   | 23,297        | 21,948       |
| Accumulated amortisation   | (13,098)      | (12,062)     |
| <b>Net book value</b>  | <b>10,199</b> | <b>9,886</b> |
| <u>Year ended as at 31 December 2010</u>   |               |              |
| Net book value as at 1 January   | 10,199        | 9,886        |
| Acquisitions   | 708           | 696          |
| Amortisation charge  | (2,259)       | (2,030)      |
| Reclassifications  | (2,642)       | (2,643)      |
| Disposals and write-offs   | -             | -            |
| <b>Net book value as at 31 December</b>  | <b>6,006</b>  | <b>5,909</b> |
| <u>31 December 2010</u>  |               |              |
| Cost   | 21,363        | 20,001       |
| Accumulated amortisation   | 15,357        | 14,092       |
| <b>Net book value</b>  | <b>6,006</b>  | <b>5,909</b> |
| Economic life (in years)   | 3-5           | 5            |
| No assets were pledged to a third party as at 31 December 2010 and 31 December 2009. Intangible assets include purchased computer software and software licences. The carrying amount of fully amortised intangible assets that are still in use : |               |              |
| 31 December 2009   | 7,777         | 7,399        |
| 31 December 2010   | 9,612         | 8,635        |

**NOTE 24 OTHER ASSETS**

|  | <b>Group</b>  |                | <b>Bank</b>   |               |
|--|---------------|----------------|---------------|---------------|
|  | <b>2010</b>   | <b>2009</b>    | <b>2010</b>   | <b>2009</b>   |
| Accrued income   | 3,808         | 4,149          | 3,553         | 3,809         |
| Deferred expenses  | 2,969         | 1,861          | 2,304         | 1,407         |
| Repossessed assets   | 2,392         | 442            | 2,392         | 442           |
| Prepayments for property and equipment   | 785           | 2,769          | -             | -             |
| Assets bought for leasing activities   | 29            | 390            | -             | -             |
| Prepayments and receivables  | 3,437         | 1,323          | 1,219         | 1,195         |
| Other assets   | 10,877        | 12,515         | 5,462         | 7,708         |
| Retrieved assets under cancelled lease contracts                                   | 48,911        | 119,129        | -             | -             |
| <b>Gross</b>   | <b>73,208</b> | <b>142,578</b> | <b>14,930</b> | <b>14,561</b> |
| Less: allowance for impairment of retrieved assets under cancelled lease contracts | (31,066)      | (17,027)       | -             | -             |
| allowance for impairment of other assets   | (2,718)       | (1,583)        | (919)         | (1,002)       |
| <b>Total</b>   | <b>39,424</b> | <b>123,968</b> | <b>14,011</b> | <b>13,559</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 25 DUE TO BANKS**

|                       | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|-----------------------|------------------|------------------|------------------|------------------|
|                       | <b>2010</b>      | <b>2009</b>      | <b>2010</b>      | <b>2009</b>      |
| <u>Funds of banks</u> |                  |                  |                  |                  |
| Demand deposits       | 322,146          | 187,933          | 322,146          | 187,933          |
| Term deposits         | 3,182,960        | 6,047,303        | 3,182,960        | 6,047,303        |
| Loans                 | 1,822,708        | 528,081          | 1,822,708        | 26,474           |
| <b>Total</b>          | <b>5,327,814</b> | <b>6,763,317</b> | <b>5,327,814</b> | <b>6,261,710</b> |

**NOTE 26 DUE TO CUSTOMERS**

|                                 | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | <b>2010</b>      | <b>2009</b>      | <b>2010</b>      | <b>2009</b>      |
| <u>Demand deposits</u>          |                  |                  |                  |                  |
| of public authorities           | 271,865          | 147,539          | 271,865          | 147,539          |
| of state and municipal entities | 134,211          | 63,065           | 134,211          | 63,065           |
| of financial institutions       | 28,170           | 19,147           | 29,386           | 26,608           |
| of private entities             | 1,127,372        | 863,533          | 1,127,691        | 863,651          |
| of individuals                  | 983,958          | 783,731          | 983,958          | 783,731          |
| <b>Total demand deposits</b>    | <b>2,545,576</b> | <b>1,877,015</b> | <b>2,547,111</b> | <b>1,884,594</b> |
| <u>Term deposits</u>            |                  |                  |                  |                  |
| of public authorities           | 258,051          | 7,750            | 258,051          | 7,750            |
| of state and municipal entities | 39,781           | 14,788           | 39,781           | 14,788           |
| of financial institutions       | 26,451           | 59,305           | 26,451           | 59,305           |
| of private entities             | 356,094          | 210,239          | 356,094          | 210,239          |
| of individuals                  | 1,060,486        | 1,181,050        | 1,060,486        | 1,181,050        |
| <b>Total term deposits</b>      | <b>1,740,863</b> | <b>1,473,132</b> | <b>1,740,863</b> | <b>1,473,132</b> |
| Term loan                       | 48,274           | 55,101           | 48,274           | 55,101           |
| <b>Total</b>                    | <b>4,334,713</b> | <b>3,405,248</b> | <b>4,336,248</b> | <b>3,412,827</b> |

As at 31 December 2010 included in customer accounts were deposits of LTL 49,634 thousand (2009: LTL 15,001 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees and loans.

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 27 DEBT SECURITIES IN ISSUE**

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

|                           | Currency                                | Interest rate | Maturity    | Carrying value |                |
|---------------------------|---|---------------|-------------|----------------|----------------|
|                           |   |               |             | 2010           | 2009           |
| <b>Index linked bonds</b> |   |               |             |                |                |
|                           | LTL                                     | -             | 2010 - 2013 | 38,346         | 375,802        |
|                           | EUR                                     | -             | 2010 - 2013 | 34,615         | 191,290        |
|                           | LVL                                     | -             | 2010        | -              | 1,960          |
|                           | Embedded derivatives                    |               |             | 3,001          | 7,193          |
|                           | Deffered profit from index linked bonds |               |             | 1,047          | 5,609          |
|                           | Total                                   |               |             | 77,009         | 581,854        |
| <b>Other bonds</b>        |   |               |             |                |                |
|                           | LTL                                     | 3.50 p.a.     | 2013        | 35,295         | -              |
|                           | LTL                                     | 0 p.a.        | 2010        | -              | 101,285        |
|                           | LTL                                     | 0 p.a.        | 2012        | 13,925         | -              |
|                           | LTL                                     | 9.80 p.a.     | 2010        | -              | 12,934         |
|                           | LTL                                     | 5.00 p.a.     | 2015        | 15,495         | -              |
|                           | LTL                                     | 4.10 p.a.     | 2013        | 9,839          | -              |
|                           | EUR                                     | 0 p.a.        | 2010        | -              | 50,395         |
|                           | EEK                                     | 0 p.a.        | 2010        | -              | 10,530         |
|                           | LVL                                     | 0 p.a.        | 2010        | -              | 57,047         |
|                           | Total                                   |               |             | 74,554         | 232,191        |
|                           | <b>Total debt securities in issue</b>   |               |             | <b>151,563</b> | <b>814,045</b> |

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

|   | <b>Group</b>  | <b>Bank</b>   |
|---|---------------|---------------|
| <b>As at 1 January 2010</b>                 | <b>5,609</b>  | <b>5,609</b>  |
| Additions arising from new transactions     | 567           | 567           |
| Released to profit and loss during the year | (5,129)       | (5,129)       |
| <b>As at 31 December 2010</b>               | <b>1,047</b>  | <b>1,047</b>  |
| <b>As at 1 January 2009</b>                 | <b>14,869</b> | <b>14,869</b> |
| Additions arising from new transactions     | 499           | 499           |
| Released to profit and loss during the year | (9,759)       | (9,759)       |
| <b>As at 31 December 2009</b>               | <b>5,609</b>  | <b>5,609</b>  |

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

**NOTE 28 SUBORDINATED LOANS**

|   | <b>Group</b>   |                | <b>Bank</b>    |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2010</b>    | <b>2009</b>    | <b>2010</b>    | <b>2009</b>    |
| Loan providers:   |                |                |                |                |
| Norddeutsche Landesbank Girozentrale                                      | -              | 116,121        | -              | 116,121        |
| European Bank for Reconstruction and Development (EBRD)                   | 38,463         | 38,458         | 38,463         | 38,458         |
| Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig | -              | 8,768          | -              | 8,768          |
| Bank DnB NORD A/S   | 240,236        | 240,193        | 240,236        | 240,193        |
| DnB NOR Bank ASA  | 124,923        | -              | 124,923        | -              |
| <b>Total</b>  | <b>403,622</b> | <b>403,540</b> | <b>403,622</b> | <b>403,540</b> |

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 (2009: nil). The lenders' claims arising out of all the subordinated loan agreements shall be satisfied only after the 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.

Subordinated loans received in the years 2003-2010:

- In the years 2009 and 2010 the Bank did not receive new subordinated loans.
- In 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 got EUR 26,000 thousand (LTL 89,773 thousand) subordinated loan. Both loans shall be repaid in full in 2015. The interest rate applicable to these loans is equal to 6-month EURIBOR + 2.40% p.a.
- In December 2007, the Bank received EUR 18,500 thousand (LTL 63,877 thousand) subordinated loan from Norddeutsche Landesbank Girozentrale. This loan is repayable in full in 2017. The interest rate on the loan is equal to 6-month EURIBOR + 0.9% p.a. On 23 December 2010, in accordance to the Certificate – Transfer of Subordinated Funding Agreements, Norddeutsche Landesbank Girozentrale transferred its rights under this subordinated loan agreement to DnB NOR Bank ASA.
- In 2006 the Bank received two subordinated loans from Bank DnB NORD A/S: in May 2006, the Bank received EUR 16,000 thousand (LTL 55,245 thousand) subordinated loan and in October 2006, the Bank got EUR 12,500 thousand (LTL 43,160 thousand) subordinated loan. Both loans shall be repaid in full in 2016. The interest rate applicable to these loans is 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 (hereinafter – Stiftung), founded by Norddeutsche Landesbank Girozentrale, signed the Subordinated Loan Agreement, whereunder the Bank received EUR 2,500 thousand (LTL 8,632 thousand) subordinated loan. This loan is repayable in full in 2015. The interest rate applicable to this loan is 5.9%. On 20 December 2010, in accordance with the Agreement on Assignment of Rights, Stiftung transferred its rights arising out of the aforementioned subordinated loan agreement to Norddeutsche Landesbank Girozentrale. On 23 December 2010, in accordance to the Certificate – Transfer of Subordinated Funding Agreements, Norddeutsche Landesbank Girozentrale transferred the aforementioned rights to DnB NOR Bank ASA.
- In August 2004, the Bank and the European Bank for Reconstruction and Development signed the Amended and Restated Subordinated Loan Agreement, pursuant thereto the initial amount of the subordinated loan was increased by EUR 3,331 thousand (LTL 11,501 thousand). This subordinated loan (EUR 11,000 thousand / LTL 37,981 thousand) is repayable in full in 2014. The interest rate applicable to the loan is 6-month EURIBOR + 2.4% p.a.
- In July 2003, the Bank received EUR 15,000 thousand (LTL 51,792 thousand) subordinated loan from Norddeutsche Landesbank Girozentrale. This subordinated loan is repayable in full in 2013. The interest rate on this loan is equal to 6-month EURIBOR + 0.61% p.a. On 23 December 2010, in accordance to the Certificate – Transfer of Subordinated Funding Agreements, Norddeutsche Landesbank Girozentrale transferred its rights under this subordinated loan agreement to DnB NOR Bank ASA.

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 29 PROVISIONS**

The movement of provisions was as follows:

|                                  | Group                           |   | Bank                            |   |
|----------------------------------|---------------------------------|---|---------------------------------|---|
|                                  | Loan commitments and guarantees | Pending legal issues and tax litigation | Loan commitments and guarantees | Pending legal issues and tax litigation |
| <b>As at 1 January 2010</b>      | <b>315</b>                      | <b>494</b>                              | <b>107,213</b>                  | <b>356</b>                              |
| Increase in provisions           | 785                             | 32                                      | 22,843                          | 32                                      |
| Utilised                         | -                               | (48)                                    | -                               | (48)                                    |
| Unused amounts reversed          | (813)                           | (86)                                    | (63,701)                        | (86)                                    |
| Changes due to exchange rates    | (6)                             | -                                       | (6)                             | -                                       |
| <b>As at 31 December 2010</b>    | <b>281</b>                      | <b>392</b>                              | <b>66,349</b>                   | <b>254</b>                              |
| Current (less than one year)     | -                               | -                                       | -                               | -                                       |
| Non-current (more than one year) | 281                             | 392                                     | 66,349                          | 254                                     |
| <b>As at 31 December 2010</b>    | <b>281</b>                      | <b>392</b>                              | <b>66,349</b>                   | <b>254</b>                              |
| <b>As at 1 January 2009</b>      | <b>48</b>                       | <b>382</b>                              | <b>11,682</b>                   | <b>244</b>                              |
| Increase in provisions           | 308                             | 455                                     | 96,347                          | 455                                     |
| Utilised                         | -                               | (210)                                   | -                               | (210)                                   |
| Unused amounts reversed          | (39)                            | (133)                                   | (813)                           | (133)                                   |
| Changes due to exchange rates    | (2)                             | -                                       | (3)                             | -                                       |
| <b>As at 31 December 2009</b>    | <b>315</b>                      | <b>494</b>                              | <b>107,213</b>                  | <b>356</b>                              |
| Current (less than one year)     | -                               | -                                       | -                               | -                                       |
| Non-current (more than one year) | 315                             | 494                                     | 107,213                         | 356                                     |
| <b>As at 31 December 2009</b>    | <b>315</b>                      | <b>494</b>                              | <b>107,213</b>                  | <b>356</b>                              |

**Legal claims.** As at 31 December 2010, contingent liabilities that may arise as a result of pending court proceedings in which the Bank would appear as a respondent amounted to LTL 54,766 thousand (2009: LTL 36,812 thousand). The Bank established a provision of LTL 254 thousand (2009: LTL 356 thousand) against potential losses in relation to the outcome of legal claims.

**NOTE 30 OTHER LIABILITIES**

|   | Group         |               | Bank          |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010          | 2009          | 2010          | 2009          |
| Accrued expenses                                | 16,085        | 28,391        | 15,323        | 28,195        |
| Deferred income                                 | 1,115         | 1,932         | 106           | 245           |
| Transit accounts                                | 9,662         | 5,016         | 9,662         | 5,016         |
| Liabilities for transactions with payment cards | 498           | 1,218         | 498           | 1,218         |
| Liabilities to suppliers                        | 120           | 191           | -             | -             |
| Prepayment for finance lease                    | 1,461         | 2,236         | -             | -             |
| Investment in subsidiaries                      | -             | -             | 62,821        | 19,310        |
| Other liabilities                               | 4,991         | 4,083         | 2,950         | 3,425         |
| <b>Total</b>                                    | <b>33,932</b> | <b>43,067</b> | <b>91,360</b> | <b>57,409</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 31 SHARE CAPITAL**

After the account managers have implemented the decision of the Second District Court of Vilnius City dated 17 December 2009 regarding the transfer of ownership rights to 4,371 shares of AB DnB NORD Bankas to Bank DnB NORD A/S, Bank DnB NORD A/S completed the squeeze-out procedure of AB DnB NORD Bankas shares on 1 February 2010 and became the sole shareholder of AB DnB NORD Bankas having 100 percent ownership of shares and votes in AB DnB NORD Bankas.

Share premium amounted to LTL 282,929 thousand as at 31 December 2010 (as at 31 December 2009 – LTL 282,929 thousand).

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

|                             | 2010             |                             |               | 2009             |                             |               |
|-----------------------------|------------------|-----------------------------|---------------|------------------|-----------------------------|---------------|
|                             | Number of shares | Nominal value, LTL thousand | %             | Number of shares | Nominal value, LTL thousand | %             |
| Bank DNB NORD A/S (Denmark) | 5,710,134        | 656,665                     | 100.00        | 5,705,763        | 656,163                     | 99.92         |
| Other                       | -                | -                           | -             | 4,371            | 502                         | 0.08          |
| <b>Total</b>                | <b>5,710,134</b> | <b>656,665</b>              | <b>100.00</b> | <b>5,710,134</b> | <b>656,665</b>              | <b>100.00</b> |

**NOTE 32 RESERVES**

|                                      | Group          |                | Bank           |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2010           | 2009           | 2010           | 2009           |
| Mandatory reserve                    | 200            | 18,763         | -              | 18,413         |
| Other reserves                       | 834            | 838            | 834            | 838            |
| Financial assets revaluation reserve | (2,769)        | (2,793)        | (2,819)        | (2,734)        |
| Reserve capital                      | 172,640        | 189,904        | 172,640        | 189,904        |
| <b>Total</b>                         | <b>170,905</b> | <b>206,712</b> | <b>170,655</b> | <b>206,421</b> |

According to the Law of the Republic of Lithuania on Banks, allocations to the mandatory reserve shall be compulsory and may not be less than 1/20 of the profit available for appropriation. The mandatory reserve may, by a decision of the annual or extraordinary general meeting of the shareholders, be used only to cover losses of the activities.

Other reserves contain fixed assets revaluation reserve which relates to the revaluation of tangible fixed assets. Financial assets revaluation reserve relates to unrealised gains and losses arising from changes in fair value of securities classified as available-for-sale which are recognised directly in equity through the statement of changes in equity.

On 30 March 2010 AB DnB NORD Bankas reserve capital was raised by EUR 20 million (LTL 69 million), on 23 September 2010 - by EUR 30 million (LTL 104 million) by monetary contribution of the Bank's sole shareholder Bank DnB NORD A/S. The funds were aimed at further consistent strengthening of the Bank's capital base.

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

|  | Group           | Bank            |
|--|-----------------|-----------------|
| <b>As at 1 January 2010</b>                                  | <b>(2,793)</b>  | <b>(2,734)</b>  |
| Net gain/loss from changes in fair value                     | 158             | 90              |
| Net gain/loss transferred to net profit on disposal (Note 3) | 124             | 83              |
| Changes of deferred income taxes (Note 9)                    | (258)           | (258)           |
| <b>As at 31 December 2010</b>                                | <b>(2,769)</b>  | <b>(2,819)</b>  |
| <b>As at 1 January 2009</b>                                  | <b>(10,832)</b> | <b>(10,383)</b> |
| Net gain/loss from changes in fair value                     | 10,629          | 10,275          |
| Net gain/loss transferred to net profit on disposal (Note 3) | (635)           | (671)           |
| Changes of deferred income taxes (Note 9)                    | (1,955)         | (1,955)         |
| <b>As at 31 December 2009</b>                                | <b>(2,793)</b>  | <b>(2,734)</b>  |



**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 33 ASSETS / FUNDS UNDER MANAGEMENT**

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

Assets under management totalling to LTL 39,458 thousand as at 31 December 2010 (2009: LTL 42,809 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:

|   | <b>2010</b>    | <b>2009</b>    |
|---|----------------|----------------|
| Investment funds:                                   |                |                |
| DnB NORD Money Market Fund                          | 78,394         | 60,358         |
| DnB NORD Bond Fund                                  | -              | -              |
| DnB NORD Equity Fund of funds                       | 11,745         | 10,588         |
| 2rd pillar pension funds:                           |                |                |
| DnB NORD pensija 1                                  | 27,140         | 23,462         |
| DnB NORD pensija 2                                  | 128,392        | 102,546        |
| DnB NORD pensija 3                                  | 130,867        | 106,508        |
| 3rd pillar pension fund:                            |                |                |
| DnB NORD papildoma pensija                          | 19,464         | 16,229         |
| DnB NORD papildoma pensija 100                      | 1,587          | 1,046          |
| Value of individually managed investment portfolios | 97,298         | 14,331         |
| <b>Total</b>  | <b>494,887</b> | <b>335,068</b> |

**NOTE 34 CONTINGENT LIABILITIES AND COMMITMENTS**

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

|   | <b>Group</b>     |                | <b>Bank</b>      |                  |
|---|------------------|----------------|------------------|------------------|
|   | <b>2010</b>      | <b>2009</b>    | <b>2010</b>      | <b>2009</b>      |
| Guarantees  | 190,299          | 188,153        | 521,144          | 700,167          |
| Letters of credit   | 5,793            | 5,714          | 5,793            | 5,714            |
| Commitments to grant loans                                  | 803,109          | 694,215        | 944,461          | 1,135,175        |
| Commitments to grant finance leases                         | 2,683            | 4,647          | -                | -                |
| Capital commitments and other commitments to acquire assets | 2,244            | 3,229          | 836              | 1,159            |
| Other commitments   | 12,019           | 11,872         | 12,298           | 12,373           |
| <b>Total</b>  | <b>1,016,147</b> | <b>907,830</b> | <b>1,484,532</b> | <b>1,854,588</b> |

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:

|  | <b>Group</b> |              | <b>Bank</b>  |              |
|--|--------------|--------------|--------------|--------------|
|  | <b>2010</b>  | <b>2009</b>  | <b>2010</b>  | <b>2009</b>  |
| Not later than 1 year                        | 1,051        | 1,019        | 1,273        | 1,240        |
| Later than 1 year and not later than 5 years | 2,103        | 2,887        | 2,161        | 3,167        |
| Later than 5 years                           | -            | -            | -            | -            |
| <b>Total</b>                                 | <b>3,154</b> | <b>3,906</b> | <b>3,434</b> | <b>4,407</b> |

As at 31 December 2010 total operating lease expenses of the Bank and of the Group incurred to LTL 1,440 thousand and LTL 1,330 thousand, correspondingly (as at 31 December 2009 – LTL 1,360 thousand and LTL 1,106 thousand, correspondingly).

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 34 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

**Amounts receivable under operating lease – where the Group is the lessor**

The future minimum lease payments receivable under non-cancellable operating lease agreements can be specified as follows:

|  | <b>Group</b> |              | <b>Bank</b> |             |
|--|--------------|--------------|-------------|-------------|
|  | <b>2010</b>  | <b>2009</b>  | <b>2010</b> | <b>2009</b> |
| Not later than 1 year                        | 348          | 2,112        | -           | -           |
| Later than 1 year and not later than 5 years | 4            | 545          | -           | -           |
| <b>Total</b>                                 | <b>352</b>   | <b>2,657</b> | <b>-</b>    | <b>-</b>    |

**NOTE 35 CASH AND CASH EQUIVALENTS**

|  | <b>Group</b>   |                | <b>Bank</b>    |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2010</b>    | <b>2009</b>    | <b>2010</b>    | <b>2009</b>    |
| Cash (Note 11)   | 225,250        | 228,508        | 225,250        | 228,508        |
| Correspondent accounts with other banks                | 61,652         | 74,386         | 61,652         | 74,386         |
| Overnight deposits                                     | 105,817        | 84,675         | 105,817        | 84,675         |
| Required reserves in national currency in Central Bank | 242,779        | 139,670        | 242,779        | 139,670        |
| Correspondent account with central bank                | 57,786         | -              | 57,786         | -              |
| <b>Total</b>   | <b>693,284</b> | <b>527,239</b> | <b>693,284</b> | <b>527,239</b> |

**NOTE 36 LIQUIDITY RISK**

According to the regulations approved by the Bank of Lithuania, the liquidity ratio should not be less than 30%. In 2009 and 2010 the Bank and Group complied with the liquidity ratio set by the Bank of Lithuania.

The structure of the Group's assets and liabilities by the contractual remaining maturity as at 31 December 2010 is as follows:

|  | <b>On demand</b> | <b>Less than 1 month</b> | <b>1 to 3 months</b> | <b>3 to 6 months</b> | <b>6 to 12 months</b> | <b>1 to 3 years</b> | <b>More than 3 years</b> | <b>Maturity undefined</b> | <b>Total</b>      |
|--|------------------|--------------------------|----------------------|----------------------|-----------------------|---------------------|--------------------------|---------------------------|-------------------|
| <b>Assets</b>  |                  |                          |                      |                      |                       |                     |                          |                           |                   |
| Cash and balances with central banks                       | 525,842          | -                        | -                    | -                    | -                     | -                   | -                        | -                         | 525,842           |
| Due from banks   | 84,872           | 382,047                  | 2,274                | 2,520                | 1,200                 | 10,493              | -                        | -                         | 483,406           |
| Trading securities   | -                | 39                       | 2,882                | 2,271                | 1,170                 | 14,072              | 9,743                    | -                         | 30,177            |
| Securities designated at fair value through profit or loss | -                | 80,022                   | 60,481               | 164,445              | 39,722                | 99,986              | 14,842                   | -                         | 459,498           |
| Derivative financial instruments                           | -                | 5,106                    | 2,824                | 3,216                | 4,726                 | 8,219               | 592                      | -                         | 24,683            |
| Securities available-for-sale                              | -                | 16,118                   | 83,572               | 66,979               | 69,028                | 84,739              | 1,893                    | 1,596                     | 323,925           |
| Loans and advances to customers                            | -                | 185,168                  | 345,451              | 390,422              | 853,443               | 1,720,248           | 4,163,360                | 1,073,907                 | 8,731,999         |
| Finance lease receivables                                  | -                | 66,577                   | 25,691               | 38,758               | 69,027                | 131,105             | 54,257                   | 60                        | 385,475           |
| Property, plant and equipment                              | -                | -                        | -                    | -                    | -                     | -                   | -                        | 98,661                    | 98,661            |
| Investment property  | -                | -                        | -                    | -                    | -                     | -                   | -                        | 40,271                    | 40,271            |
| Intangible assets  | -                | -                        | -                    | -                    | -                     | -                   | -                        | 6,006                     | 6,006             |
| Deferred income tax asset                                  | -                | -                        | -                    | -                    | -                     | -                   | -                        | 30,184                    | 30,184            |
| Other assets   | 222              | 12,717                   | 121                  | 37                   | 339                   | 4                   | 2                        | 25,982                    | 39,424            |
| <b>Total assets</b>  | <b>610,936</b>   | <b>747,794</b>           | <b>523,296</b>       | <b>668,648</b>       | <b>1,038,655</b>      | <b>2,068,866</b>    | <b>4,244,689</b>         | <b>1,276,667</b>          | <b>11,179,551</b> |

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

**NOTE 36 LIQUIDITY RISK (continued)**

**Liabilities and  
shareholders'  
equity**

|  |           |           |         |         |         |           |         |         |           |
|--|-----------|-----------|---------|---------|---------|-----------|---------|---------|-----------|
| Due to banks                           | 27,274    | 1,488,508 | 720,823 | 125,259 | 737,168 | 2,099,302 | 129,480 | -       | 5,327,814 |
| Derivative<br>financial<br>instruments | -         | 5,569     | 8,080   | 4,309   | 9,246   | 28,873    | 5,785   | -       | 61,862    |
| Due to customers                       | 2,548,434 | 450,711   | 624,687 | 364,944 | 231,605 | 69,685    | 44,647  | -       | 4,334,713 |
| Debt securities in<br>issue            | -         | 3,105     | 12,680  | 18,054  | 15,057  | 87,172    | 15,495  | -       | 151,563   |
| Current income<br>tax liabilities      | -         | -         | -       | -       | -       | -         | -       | -       | -         |
| Subordinated<br>loans                  | -         | 398       | 665     | 308     | -       | 51,792    | 350,459 | -       | 403,622   |
| Provisions                             | -         | -         | 27      | 104     | 34      | 56        | 16      | 436     | 673       |
| Other liabilities                      | 6,402     | 17,771    | 940     | 1,463   | 5,065   | 422       | 117     | 1,752   | 33,932    |
| Shareholders'<br>equity                | -         | -         | -       | -       | -       | -         | -       | 865,372 | 865,372   |

**Total liabilities  
and  
shareholders'  
equity**

**2,582,110 1,966,062 1,367,902 514,441 998,175 2,337,302 545,999 867,560 11,179,551**

**Net liquidity  
gap**

**(1,971,174) (1,218,268) (844,606) 154,207 40,480 (268,436) 3,698,690 409,107 -**

The structure of the Group's assets and liabilities by the remaining maturity as at 31 December 2009 was as follows:

|   | On demand          | Less than 1<br>month | 1 to 3<br>months | 3 to 6<br>months | 6 to 12<br>months | 1 to 3 years   | More than<br>3 years | Maturity<br>undefi-<br>ned | Total      |
|---|--------------------|----------------------|------------------|------------------|-------------------|----------------|----------------------|----------------------------|------------|
| Total assets                                  | 446,578            | 485,137              | 491,334          | 637,623          | 2,035,980         | 2,471,520      | 4,705,984            | 1,034,602                  | 12,308,758 |
| Total liabilities and<br>shareholders' equity | 1,954,934          | 1,309,331            | 1,539,562        | 1,500,550        | 2,376,095         | 2,260,330      | 560,503              | 807,453                    | 12,308,758 |
| <b>Net liquidity gap</b>                      | <b>(1,508,356)</b> | <b>(824,194)</b>     | <b>1,048,228</b> | <b>(862,927)</b> | <b>(340,115)</b>  | <b>211,190</b> | <b>4,145,481</b>     | <b>227,149</b>             | <b>-</b>   |

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<br>(per cent) |
|------------------|---------------|---------------------|-------------------------------|
| 31 December 2009 | 1,511,284     | 4,018,048           | 37.61                         |
| 31 December 2010 | 1,909,202     | 5,215,988           | 36.60                         |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 36 LIQUIDITY RISK (continued)**

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2010 is as follows:

|  | <b>On demand</b>   | <b>Less than 1 month</b> | <b>1 to 3 months</b> | <b>3 to 6 months</b> | <b>6 to 12 months</b> | <b>1 to 3 years</b> | <b>More than 3 years</b> | <b>Maturity undefined</b> | <b>Total</b>      |
|--|--------------------|--------------------------|----------------------|----------------------|-----------------------|---------------------|--------------------------|---------------------------|-------------------|
| <b>Assets</b>  |                    |                          |                      |                      |                       |                     |                          |                           |                   |
| Cash and balances with central banks                       | 525,842            | -                        | -                    | -                    | -                     | -                   | -                        | -                         | 525,842           |
| Due from banks   | 84,872             | 382,047                  | 2,274                | 2,520                | 1,200                 | 10,493              | -                        | -                         | 483,406           |
| Trading securities   | -                  | 39                       | 2,882                | 2,271                | 1,170                 | 14,072              | 9,743                    | -                         | 30,177            |
| Securities designated at fair value through profit or loss | -                  | 80,022                   | 60,481               | 164,445              | 39,722                | 99,986              | 14,842                   | -                         | 459,498           |
| Derivative financial instruments                           | -                  | 5,106                    | 2,824                | 3,216                | 4,726                 | 8,219               | 592                      | -                         | 24,683            |
| Securities available-for-sale                              | -                  | 16,110                   | 82,870               | 66,974               | 69,000                | 82,646              | -                        | 896                       | 318,496           |
| Loans and advances to customers                            | -                  | 186,277                  | 345,451              | 390,422              | 865,872               | 2,265,320           | 4,163,360                | 1,073,908                 | 9,290,610         |
| Investments in subsidiaries                                | -                  | -                        | -                    | -                    | -                     | -                   | -                        | 20,115                    | 20,115            |
| Property, plant and equipment                              | -                  | -                        | -                    | -                    | -                     | -                   | -                        | 96,649                    | 96,649            |
| Intangible assets  | -                  | -                        | -                    | -                    | -                     | -                   | -                        | 5,909                     | 5,909             |
| Deferred income tax asset                                  | -                  | -                        | -                    | -                    | -                     | -                   | -                        | 30,188                    | 30,188            |
| Other assets   | 54                 | 7,321                    | 18                   | 1                    | 1                     | 4                   | 2                        | 6,610                     | 14,011            |
| <b>Total assets</b>  | <b>610,768</b>     | <b>676,922</b>           | <b>496,800</b>       | <b>629,849</b>       | <b>981,691</b>        | <b>2,480,740</b>    | <b>4,188,539</b>         | <b>1,234,275</b>          | <b>11,299,584</b> |
| <b>Liabilities and shareholders' equity</b>                |                    |                          |                      |                      |                       |                     |                          |                           |                   |
| Due to banks   | 27,274             | 1,488,508                | 720,823              | 125,259              | 737,168               | 2,099,302           | 129,480                  | -                         | 5,327,814         |
| Derivative financial instruments                           | -                  | 5,569                    | 8,080                | 4,309                | 9,246                 | 28,873              | 5,785                    | -                         | 61,862            |
| Due to customers   | 2,549,969          | 450,711                  | 624,687              | 364,944              | 231,605               | 69,685              | 44,647                   | -                         | 4,336,248         |
| Debt securities in issue                                   | -                  | 3,105                    | 12,680               | 18,054               | 15,057                | 87,172              | 15,495                   | -                         | 151,563           |
| Subordinated loans   | -                  | 398                      | 665                  | 308                  | -                     | 51,792              | 350,459                  | -                         | 403,622           |
| Provisions   | -                  | 30,417                   | 27                   | 104                  | 513                   | 35,228              | 16                       | 298                       | 66,603            |
| Other liabilities  | 6,305              | 13,621                   | 749                  | 1,333                | 67,635                | 3                   | -                        | 1,714                     | 91,360            |
| Shareholders' equity                                       | -                  | -                        | -                    | -                    | -                     | -                   | -                        | 860,512                   | 860,512           |
| <b>Total liabilities and shareholders' equity</b>          | <b>2,583,548</b>   | <b>1,992,329</b>         | <b>1,367,711</b>     | <b>514,311</b>       | <b>1,061,224</b>      | <b>2,372,055</b>    | <b>545,882</b>           | <b>862,524</b>            | <b>11,299,584</b> |
| <b>Net liquidity gap</b>                                   | <b>(1,972,780)</b> | <b>(1,315,407)</b>       | <b>(870,911)</b>     | <b>115,538</b>       | <b>(79,533)</b>       | <b>108,685</b>      | <b>3,642,657</b>         | <b>371,751</b>            | <b>-</b>          |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 36 LIQUIDITY RISK (continued)**

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2009 is as follows:

|  | <b>On demand</b>   | <b>Less than 1 month</b> | <b>1 to 3 months</b> | <b>3 to 6 months</b> | <b>6 to 12 months</b> | <b>1 to 3 years</b> | <b>More than 3 years</b> | <b>Maturity undefined</b> | <b>Total</b> |
|--|--------------------|--------------------------|----------------------|----------------------|-----------------------|---------------------|--------------------------|---------------------------|--------------|
| Total assets                               | 446,443            | 391,193                  | 472,001              | 593,385              | 1,958,725             | 2,314,578           | 4,832,870                | 931,119                   | 11,940,314   |
| Total liabilities and shareholders' equity | 1,962,440          | 1,306,022                | 1,548,836            | 1,499,623            | 1,877,601             | 2,354,032           | 560,359                  | 831,401                   | 11,940,314   |
| <b>Net liquidity gap</b>                   | <b>(1,515,997)</b> | <b>(914,829)</b>         | <b>1,076,835</b>     | <b>(906,238)</b>     | <b>81,124</b>         | <b>(39,454)</b>     | <b>4,272,511</b>         | <b>99,718</b>             | <b>-</b>     |

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:

|                  | <b>Liquid assets</b> | <b>Current liabilities</b> | <b>Liquidity ratio (per cent)</b> |
|------------------|----------------------|----------------------------|-----------------------------------|
| 31 December 2009 | 1,419,186            | 4,048,772                  | 35.05                             |
| 31 December 2010 | 1,871,739            | 5,221,173                  | 35.85                             |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS**

The Group's open positions of prevailing currencies as at 31 December 2010 were as follows:

|   | USD             | EUR              | GBP          | NOK           | Other<br>curren-<br>cies | Total<br>currencies | LTL              | Total             |
|---|-----------------|------------------|--------------|---------------|--------------------------|---------------------|------------------|-------------------|
| <b>Assets</b>   |                 |                  |              |               |                          |                     |                  |                   |
| Cash and balances with central banks                          | 12,441          | 40,156           | 5,349        | 9,853         | 19,897                   | 87,696              | 438,146          | 525,842           |
| Due from banks  | 59,660          | 408,660          | 1,197        | 2,024         | 11,865                   | 483,406             | -                | 483,406           |
| Trading securities  | 1,033           | 15,660           | -            | -             | 8,169                    | 24,862              | 5,315            | 30,177            |
| Securities designated at fair value<br>through profit or loss | -               | 74,910           | -            | -             | 7,436                    | 82,346              | 377,152          | 459,498           |
| Derivative financial instruments                              | 227             | 16,520           | -            | -             | 662                      | 17,409              | 7,274            | 24,683            |
| Securities available for sale                                 | 847             | 319,331          | -            | -             | -                        | 320,178             | 3,747            | 323,925           |
| Loans and advances to customers                               | 111,855         | 6,505,370        | -            | -             | -                        | 6,617,225           | 2,114,774        | 8,731,999         |
| Finance lease receivables                                     | 5,369           | 407,991          | -            | -             | -                        | 413,360             | (27,885)         | 385,475           |
| Property, plant and equipment                                 | -               | -                | -            | -             | -                        | -                   | 98,661           | 98,661            |
| Investment property   | -               | -                | -            | -             | -                        | -                   | 40,271           | 40,271            |
| Intangible assets   | -               | -                | -            | -             | -                        | -                   | 6,006            | 6,006             |
| Deferred income tax assets                                    | -               | -                | -            | -             | -                        | -                   | 30,184           | 30,184            |
| Other assets  | 105             | 7,991            | 23           | 26            | 117                      | 8,262               | 31,162           | 39,424            |
| <b>Total assets</b>   | <b>191,537</b>  | <b>7,796,589</b> | <b>6,569</b> | <b>11,903</b> | <b>48,146</b>            | <b>8,054,744</b>    | <b>3,124,807</b> | <b>11,179,551</b> |
| <b>Liabilities and shareholders' equity</b>                   |                 |                  |              |               |                          |                     |                  |                   |
| Due to banks  | 2,992           | 5,313,263        | 52           | 4             | 9,808                    | 5,326,119           | 1,695            | 5,327,814         |
| Derivative financial instruments                              | 245             | 51,316           | -            | -             | -                        | 51,561              | 10,301           | 61,862            |
| Due to customers  | 117,763         | 1,185,867        | 7,118        | 10,494        | 11,965                   | 1,333,207           | 3,001,506        | 4,334,713         |
| Debt securities in issue                                      | -               | 37,862           | -            | -             | -                        | 37,862              | 113,701          | 151,563           |
| Current income tax liabilities                                | -               | -                | -            | -             | -                        | -                   | -                | -                 |
| Deferred income tax liabilities                               | -               | -                | -            | -             | -                        | -                   | -                | -                 |
| Subordinated loans  | -               | 403,622          | -            | -             | -                        | 403,622             | -                | 403,622           |
| Provisions  | 227             | 44               | -            | -             | -                        | 271                 | 402              | 673               |
| Other liabilities   | 118             | 3,827            | 16           | 9             | 47                       | 4,017               | 29,915           | 33,932            |
| Shareholders' equity  | -               | (3,203)          | -            | -             | -                        | (3,203)             | 868,575          | 865,372           |
| <b>Total liabilities and shareholders' equity</b>             | <b>121,345</b>  | <b>6,992,598</b> | <b>7,186</b> | <b>10,507</b> | <b>21,820</b>            | <b>7,153,456</b>    | <b>4,026,095</b> | <b>11,179,551</b> |
| <b>Net balance sheet position</b>                             | <b>70,192</b>   | <b>803,991</b>   | <b>(617)</b> | <b>1,396</b>  | <b>26,326</b>            | <b>901,288</b>      | <b>(901,288)</b> | <b>-</b>          |
| <b>Off-balance sheet position</b>                             | <b>(70,034)</b> | <b>(790,420)</b> | <b>526</b>   | <b>1,326)</b> | <b>(20,679)</b>          | <b>(881,933)</b>    | <b>877,270</b>   | <b>(4,663)</b>    |
| <b>Net open position</b>                                      | <b>158</b>      | <b>13,571</b>    | <b>(91)</b>  | <b>70</b>     | <b>5,647</b>             | <b>19,355</b>       | <b>(24,018)</b>  | <b>(4,663)</b>    |

The Group's open positions of prevailing currencies as at 31 December 2009 were as follows:

|                                      | USD            | EUR              | GBP          | NOK          | Other<br>curren-<br>cies | Total<br>currencies | LTL                | Total         |
|--------------------------------------|----------------|------------------|--------------|--------------|--------------------------|---------------------|--------------------|---------------|
| Assets                               | 253,906        | 8,979,576        | 9,280        | 17,632       | 85,105                   | 9,345,499           | 2,963,259          | 12,308,758    |
| Liabilities and shareholders' equity | 260,231        | 7,979,504        | 4,734        | 8,528        | 77,138                   | 8,330,135           | 3,978,623          | 12,308,758    |
| <b>Net balance sheet position</b>    | <b>(6,325)</b> | <b>1,000,072</b> | <b>4,546</b> | <b>9,104</b> | <b>7,967</b>             | <b>1,015,364</b>    | <b>(1,015,364)</b> | <b>-</b>      |
| Off balance sheet position           | 6,443          | (1,094,092)      | (4,631)      | (9,128)      | (888)                    | (1,102,296)         | 1,133,856          | 31,560        |
| <b>Net open position</b>             | <b>118</b>     | <b>(94,020)</b>  | <b>(85)</b>  | <b>(24)</b>  | <b>7,079</b>             | <b>(86,932)</b>     | <b>118,492</b>     | <b>31,560</b> |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 37 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)**

The Bank's open positions of prevailing currencies as at 31 December 2010 were as follows:

|  | USD             | EUR              | GBP          | NOK           | Other currencies | Total currencies | LTL              | Total             |
|--|-----------------|------------------|--------------|---------------|------------------|------------------|------------------|-------------------|
| <b>Assets</b>  |                 |                  |              |               |                  |                  |                  |                   |
| Cash and balances with central banks                       | 12,441          | 40,156           | 5,349        | 9,853         | 19,896           | 87,695           | 438,147          | 525,842           |
| Due from banks   | 59,660          | 408,660          | 1,197        | 2,024         | 11,865           | 483,406          | -                | 483,406           |
| Trading securities   | 1,033           | 15,660           | -            | -             | 8,169            | 24,862           | 5,315            | 30,177            |
| Securities designated at fair value through profit or loss | -               | 74,910           | -            | -             | 7,436            | 82,346           | 377,152          | 459,498           |
| Derivative financial instruments                           | 227             | 16,520           | -            | -             | 662              | 17,409           | 7,274            | 24,683            |
| Securities available for sale                              | 847             | 317,649          | -            | -             | -                | 318,496          | -                | 318,496           |
| Loans and advances to customers                            | 117,224         | 6,937,568        | -            | -             | -                | 7,054,792        | 2,235,818        | 9,290,610         |
| Investments in subsidiaries                                | -               | -                | -            | -             | -                | -                | 20,115           | 20,115            |
| Property, plant and equipment                              | -               | -                | -            | -             | -                | -                | 96,649           | 96,649            |
| Intangible assets  | -               | -                | -            | -             | -                | -                | 5,909            | 5,909             |
| Deferred income tax assets                                 | -               | -                | -            | -             | -                | -                | 30,188           | 30,188            |
| Other assets   | 106             | 6,452            | 23           | 26            | 116              | 6,723            | 7,288            | 14,011            |
| <b>Total assets</b>  | <b>191,538</b>  | <b>7,817,575</b> | <b>6,569</b> | <b>11,903</b> | <b>48,144</b>    | <b>8,075,729</b> | <b>3,223,855</b> | <b>11,299,584</b> |
| <b>Liabilities and shareholders' equity</b>                |                 |                  |              |               |                  |                  |                  |                   |
| Due to banks   | 2,992           | 5,313,263        | 52           | 4             | 9,808            | 5,326,119        | 1,695            | 5,327,814         |
| Derivative financial instruments                           | 245             | 51,316           | -            | -             | -                | 51,561           | 10,301           | 61,862            |
| Due to customers   | 117,763         | 1,185,867        | 7,118        | 10,494        | 11,965           | 1,333,207        | 3,003,041        | 4,336,248         |
| Debt securities in issue                                   | -               | 37,862           | -            | -             | -                | 37,862           | 113,701          | 151,563           |
| Subordinated loans   | -               | 403,622          | -            | -             | -                | 403,622          | -                | 403,622           |
| Provisions   | 227             | 29,118           | -            | -             | -                | 29,345           | 37,258           | 66,603            |
| Other liabilities  | 118             | 3,770            | 16           | 9             | 47               | 3,960            | 87,400           | 91,360            |
| Shareholders' equity                                       | -               | (3,203)          | -            | -             | -                | (3,203)          | 863,715          | 860,512           |
| <b>Total liabilities and shareholders' equity</b>          | <b>121,345</b>  | <b>7,021,615</b> | <b>7,186</b> | <b>10,507</b> | <b>21,820</b>    | <b>7,182,473</b> | <b>4,117,111</b> | <b>11,299,584</b> |
| <b>Net balance sheet position</b>                          | <b>70,193</b>   | <b>795,960</b>   | <b>(617)</b> | <b>1,396</b>  | <b>26,324</b>    | <b>893,256</b>   | <b>(893,256)</b> | <b>-</b>          |
| <b>Off-balance sheet position</b>                          | <b>(70,034)</b> | <b>(865,868)</b> | <b>526</b>   | <b>1,326)</b> | <b>(20,679)</b>  | <b>(957,381)</b> | <b>871,363</b>   | <b>(86,018)</b>   |
| <b>Net open position</b>                                   | <b>159</b>      | <b>(69,908)</b>  | <b>(91)</b>  | <b>70</b>     | <b>5,645</b>     | <b>(64,125)</b>  | <b>(21,893)</b>  | <b>(86,018)</b>   |

The Bank's open positions of prevailing currencies as at 31 December 2009 were as follows:

|                                      | USD            | EUR             | GBP          | NOK          | Other currencies | Total currencies | LTL                | Total            |
|--------------------------------------|----------------|-----------------|--------------|--------------|------------------|------------------|--------------------|------------------|
| <b>Assets</b>                        |                |                 |              |              |                  |                  |                    |                  |
| Assets                               | 253,906        | 8,477,958       | 9,280        | 17,632       | 85,105           | 8,843,881        | 3,096,433          | 11,940,314       |
| Liabilities and shareholders' equity | 260,231        | 7,479,942       | 4,734        | 8,528        | 77,138           | 7,830,573        | 4,109,741          | 11,940,314       |
| <b>Net balance sheet position</b>    | <b>(6,325)</b> | <b>998,016</b>  | <b>4,546</b> | <b>9,104</b> | <b>7,967</b>     | <b>1,013,308</b> | <b>(1,013,308)</b> | <b>-</b>         |
| Off balance sheet position           | 6,443          | (1,094,092)     | (4,631)      | (9,128)      | (888)            | (1,102,296)      | 990,972            | (111,324)        |
| <b>Net open position</b>             | <b>118</b>     | <b>(96,076)</b> | <b>(85)</b>  | <b>(24)</b>  | <b>7,079</b>     | <b>(88,988)</b>  | <b>(22,336)</b>    | <b>(111,324)</b> |

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.

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 38 INTEREST RATE RISK**

The table below summarises the Group's interest rate risks as at 31 December 2010. Assets and liabilities are shown at their carrying amounts categorised by the earlier of contractual reprising or maturity dates.

|  | <b>Less than 1 month</b> | <b>1 to 3 months</b> | <b>3 to 6 months</b> | <b>6 to 12 months</b> | <b>1 to 3 years</b> | <b>More than 3 years</b> | <b>Non interest bearing</b> | <b>Total</b>      |
|--|--------------------------|----------------------|----------------------|-----------------------|---------------------|--------------------------|-----------------------------|-------------------|
| <b>Assets</b>  |                          |                      |                      |                       |                     |                          |                             |                   |
| Cash and balances with central banks                       | 525,842                  | -                    | -                    | -                     | -                   | -                        | -                           | 525,842           |
| Due from banks   | 466,917                  | 2,237                | 2,386                | 1,179                 | 10,687              | -                        | -                           | 483,406           |
| Trading securities   | 39                       | 2,882                | 2,271                | 1,171                 | 3,683               | 20,131                   | -                           | 30,177            |
| Securities designated at fair value through profit or loss | 80,022                   | 60,481               | 164,445              | 39,721                | 99,986              | 14,843                   | -                           | 459,498           |
| Derivative financial instruments                           | 1,557                    | 380                  | 1,929                | 3,238                 | 4,160               | 592                      | 12,827                      | 24,683            |
| Securities available- for-sale                             | 105,655                  | 212,655              | 5                    | 28                    | 2,093               | 1,893                    | 1,596                       | 323,925           |
| Loans and advances to customers                            | 1,252,593                | 2,111,724            | 3,166,041            | 444,385               | 742,709             | 1,014,547                | -                           | 8,731,999         |
| Finance lease receivables                                  | 66,577                   | 25,691               | 38,758               | 69,027                | 131,105             | 54,317                   | -                           | 385,475           |
| Property, plant and equipment                              | -                        | -                    | -                    | -                     | -                   | -                        | 98,661                      | 98,661            |
| Investment property  | -                        | -                    | -                    | -                     | -                   | -                        | 40,271                      | 40,271            |
| Intangible assets  | -                        | -                    | -                    | -                     | -                   | -                        | 6,006                       | 6,006             |
| Deferred income tax asset                                  | -                        | -                    | -                    | -                     | -                   | -                        | 30,184                      | 30,184            |
| Other assets   | -                        | -                    | -                    | -                     | -                   | -                        | 39,424                      | 39,424            |
| <b>Total assets</b>  | <b>2,499,202</b>         | <b>2,416,050</b>     | <b>3,375,835</b>     | <b>558,749</b>        | <b>994,423</b>      | <b>1,106,323</b>         | <b>228,969</b>              | <b>11,179,551</b> |
| <b>Liabilities and shareholders' equity</b>                |                          |                      |                      |                       |                     |                          |                             |                   |
| Due to banks   | 1,515,780                | 3,031,265            | 121,444              | 217,291               | 309,118             | 132,916                  | -                           | 5,327,814         |
| Derivative financial instruments                           | 2,973                    | 5,324                | 3,096                | 4,973                 | 28,445              | 5,038                    | 12,013                      | 61,862            |
| Due to customers   | 2,996,047                | 663,630              | 364,942              | 231,376               | 67,637              | 10,191                   | 890                         | 4,334,713         |
| Debt securities in issue                                   | 3,105                    | 12,679               | 18,054               | 15,057                | 87,173              | 15,495                   | -                           | 151,563           |
| Current income tax liabilities                             | -                        | -                    | -                    | -                     | -                   | -                        | -                           | -                 |
| Subordinated loans   | 52,190                   | 38,646               | 304,154              | -                     | -                   | 8,632                    | -                           | 403,622           |
| Provisions   | -                        | -                    | -                    | -                     | -                   | -                        | 673                         | 673               |
| Other liabilities  | -                        | -                    | -                    | -                     | -                   | -                        | 33,932                      | 33,932            |
| Shareholders' equity                                       | -                        | -                    | -                    | -                     | -                   | -                        | 865,372                     | 865,372           |
| <b>Total liabilities and shareholders' equity</b>          | <b>4,570,095</b>         | <b>3,751,544</b>     | <b>811,690</b>       | <b>468,697</b>        | <b>492,373</b>      | <b>172,272</b>           | <b>912,880</b>              | <b>11,179,551</b> |
| <b>Interest rate sensitivity gap</b>                       | <b>(2,070,893)</b>       | <b>(1,335,494)</b>   | <b>2,564,145</b>     | <b>90,052</b>         | <b>502,050</b>      | <b>934,051</b>           | <b>(683,911)</b>            | <b>-</b>          |



**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 38 INTEREST RATE RISK (continued)**

The Group's interest rate risks as at 31 December 2009 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                               | 2,066,024          | 2,542,181      | 4,267,225        | 1,038,777        | 877,397            | 1,187,379         | 329,775              | 12,308,758 |
| Total liabilities and shareholders' equity | 3,345,674          | 1,668,460      | 2,155,860        | 1,852,410        | 2,254,120          | 166,461           | 865,773              | 12,308,758 |
| <b>Interest rate sensitivity gap</b>       | <b>(1,279,650)</b> | <b>873,721</b> | <b>2,111,365</b> | <b>(813,633)</b> | <b>(1,376,723)</b> | <b>1,020,918</b>  | <b>(535,998)</b>     | <b>-</b>   |

The Bank's interest rate risk as at 31 December 2010 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             |
|--|--------------------|--------------------|------------------|----------------|----------------|-------------------|----------------------|-------------------|
| <b>Assets</b>  |                    |                    |                  |                |                |                   |                      |                   |
| Cash and balances with central banks                       | 525,842            | -                  | -                | -              | -              | -                 | -                    | 525,842           |
| Due from banks   | 466,917            | 2,237              | 2,386            | 1,179          | 10,687         | -                 | -                    | 483,406           |
| Trading securities   | 39                 | 2,882              | 2,271            | 1,171          | 3,683          | 20,131            | -                    | 30,177            |
| Securities designated at fair value through profit or loss | 80,022             | 60,481             | 164,445          | 39,721         | 99,986         | 14,843            | -                    | 459,498           |
| Derivative financial instruments                           | 1,557              | 380                | 1,929            | 3,238          | 4,160          | 592               | 12,827               | 24,683            |
| Securities available-for-sale                              | 105,647            | 211,953            | -                | -              | -              | -                 | 896                  | 318,496           |
| Loans and advances to customers                            | 1,253,701          | 2,111,724          | 3,690,195        | 456,815        | 763,628        | 1,014,547         | -                    | 9,290,610         |
| Investments in subsidiaries                                | -                  | -                  | -                | -              | -              | -                 | 20,115               | 20,115            |
| Property, plant and equipment                              | -                  | -                  | -                | -              | -              | -                 | 96,649               | 96,649            |
| Intangible assets  | -                  | -                  | -                | -              | -              | -                 | 5,909                | 5,909             |
| Deferred income tax asset                                  | -                  | -                  | -                | -              | -              | -                 | 30,188               | 30,188            |
| Other assets   | -                  | -                  | -                | -              | -              | -                 | 14,011               | 14,011            |
| <b>Total assets</b>  | <b>2,433,725</b>   | <b>2,389,657</b>   | <b>3,861,226</b> | <b>502,124</b> | <b>882,144</b> | <b>1,050,113</b>  | <b>180,595</b>       | <b>11,299,584</b> |
| <b>Liabilities and shareholders' equity</b>                |                    |                    |                  |                |                |                   |                      |                   |
| Due to banks   | 1,515,780          | 3,031,265          | 121,444          | 217,291        | 309,118        | 132,916           | -                    | 5,327,814         |
| Derivative financial instruments                           | 2,973              | 5,324              | 3,096            | 4,973          | 28,445         | 5,038             | 12,013               | 61,862            |
| Due to customers   | 2,997,582          | 663,630            | 364,942          | 231,376        | 67,637         | 10,191            | 890                  | 4,336,248         |
| Debt securities in issue                                   | 3,105              | 12,679             | 18,054           | 15,057         | 87,173         | 15,495            | -                    | 151,563           |
| Subordinated loans   | 52,190             | 38,646             | 304,154          | -              | -              | 8,632             | -                    | 403,622           |
| Provisions   | -                  | -                  | -                | -              | -              | -                 | 66,603               | 66,603            |
| Other liabilities  | -                  | -                  | -                | -              | -              | -                 | 91,360               | 91,360            |
| Shareholders' equity                                       | -                  | -                  | -                | -              | -              | -                 | 860,512              | 860,512           |
| <b>Total liabilities and shareholders' equity</b>          | <b>4,571,630</b>   | <b>3,751,544</b>   | <b>811,690</b>   | <b>468,697</b> | <b>492,373</b> | <b>172,272</b>    | <b>1,031,378</b>     | <b>11,299,584</b> |
| <b>Interest rate sensitivity gap</b>                       | <b>(2,137,905)</b> | <b>(1,361,887)</b> | <b>3,049,536</b> | <b>33,427</b>  | <b>389,771</b> | <b>877,841</b>    | <b>(850,783)</b>     | <b>-</b>          |

**AB DnB NORD Bankas**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 38 INTEREST RATE RISK (continued)**

The Bank's interest rate risks as at 31 December 2009 was as follows:

|  | <b>Less than 1 month</b> | <b>1 to 3 months</b> | <b>3 to 6 months</b> | <b>6 to 12 months</b> | <b>1 to 3 years</b> | <b>More than 3 years</b> | <b>Non interest bearing</b> | <b>Total</b> |
|--|--------------------------|----------------------|----------------------|-----------------------|---------------------|--------------------------|-----------------------------|--------------|
| Total assets                               | 1,919,423                | 2,362,462            | 4,251,310            | 1,039,100             | 966,023             | 1,182,314                | 219,682                     | 11,940,314   |
| Total liabilities and shareholders' equity | 3,329,013                | 1,554,377            | 1,792,576            | 1,852,410             | 2,254,120           | 166,461                  | 991,357                     | 11,940,314   |
| <b>Interest rate sensitivity gap</b>       | <b>(1,409,590)</b>       | <b>808,085</b>       | <b>2,458,734</b>     | <b>(813,310)</b>      | <b>(1,288,097)</b>  | <b>1,015,853</b>         | <b>(771,675)</b>            | <b>-</b>     |

**NOTE 39 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:

|  | <b>Balances of deposits</b> |                         | <b>Principal of loans outstanding</b> |                         |
|--|-----------------------------|-------------------------|---------------------------------------|-------------------------|
|  | <b>31 December 2010</b>     | <b>31 December 2009</b> | <b>31 December 2010</b>               | <b>31 December 2009</b> |
| Management of the Group and close family members of management | 2,260                       | 3,062                   | 6,191                                 | 4,152                   |

In 2010 the total compensations for the Group management approximated LTL 2,310 thousand (in 2009 – LTL 3,089 thousand). In 2010 the total compensations for the Bank's management approximated LTL 1,632 thousand (in 2009 – LTL 2,413 thousand).

The following balances were outstanding with Bank DnB NORD A/S (the parent company):

|  | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|
| <b>Assets</b>  |             |             |
| Derivative financial instruments                           | 609         | 9,113       |
| Receivable   | -           | 2,906       |
| <b>Liabilities</b>   |             |             |
| Correspondent bank accounts                                | 11,981      | 34,310      |
| Subordinated loans   | 240,236     | 240,194     |
| Payable  | -           | 11,653      |
| <b>Income</b>  |             |             |
| Fee and commission   | 1,374       | 656         |
| Net gain (loss) from foreign exchange                      | 6           | 6           |
| Net gain (loss) from operations with financial instruments | 16,887      | 68,170      |
| <b>Expenses</b>  |             |             |
| Interest   | 6,547       | 9,761       |
| Fee and commission   | -           | 2           |
| Other  | 2,455       | 10,892      |

**AB DnB NORDBANKAS**  
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

**NOTE 39 RELATED PARTY TRANSACTIONS (continued)**

The following balances were outstanding with DnB NOR Group companies:

| <b>Assets</b>  | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|
| Correspondent bank accounts                                | 4,831       | 11,267      |
| Overnight deposits   | 105,817     | 84,676      |
| Term deposits  | 292,718     | 167,451     |
| Derivative financial instruments                           | 3,276       | 5,388       |
| Accrued income   | -           | 18          |
| Debt securities  | -           | 9,005       |
| <b>Liabilities</b>   |             |             |
| Correspondent bank accounts                                | 6,585       | 1,995       |
| Overnight deposits   | 241,699     | 107,968     |
| Term deposits  | 3,182,960   | 6,017,302   |
| Loans  | 1,796,234   | 501,607     |
| Derivative financial instruments                           | 16,213      | 41,907      |
| Demand deposits  | 189         | 1,627       |
| Subordinated loans   | 124,924     | 116,121     |
| Debt securities in issue                                   | -           | 16,310      |
| <b>Income</b>  | <b>2010</b> | <b>2009</b> |
| Interest   | 2,378       | 3,861       |
| Fee and commission   | 106         | 494         |
| Net gain (loss) from foreign exchange                      | 7           | (110)       |
| Net gain (loss) from operations with financial instruments | (27,769)    | (6,845)     |
| Other  | 7,554       | 6,600       |
| <b>Expenses</b>  |             |             |
| Interest   | 102,579     | 186,168     |
| Fee and commission   | 113         | 74          |
| Other  | 17,909      | 777         |

The following balances were outstanding on the Bank balance sheet with subsidiaries:

| <b>Assets</b>      | <b>2010</b> | <b>2009</b> |
|--------------------|-------------|-------------|
| Loans              | 558,611     | 247,506     |
| Equity securities  | 20,115      | 10,664      |
| Other assets       | 291         | 128         |
| <b>Liabilities</b> |             |             |
| Demand deposits    | 1,535       | 7,579       |
| Term deposits      | -           | -           |
| Other liabilities  | 62,821      | 19,310      |

The main income/expenses of the Bank from transactions with subsidiaries are as follows:

| <b>Income</b>      | <b>2010</b> | <b>2009</b> |
|--------------------|-------------|-------------|
| Interest           | 11,643      | 7,624       |
| Fee and commission | 6,098       | 6,622       |
| Dividends          | 1,648       | 1,199       |
| Other              | 53          | 85          |
| <b>Expenses</b>    |             |             |
| Interest           | 14          | 469         |
| Fee and commission | 90          | 24          |
| Other              | 186         | 205         |
| Impairment         | 81,819      | 19,310      |

*Terms and conditions of transactions with related parties*

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates.

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

#### NOTE 40 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 2009 and 2010 the Bank complied with maximum exposure to one borrower and the large exposure requirements set by the Bank of Lithuania. As at 31 December 2010, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, amounted to LTL 156,7 million (total amount represents commitments to provide credit facilities), which is 13,32 % of the Bank's calculated capital (2009: LTL 121 million and 10,39 % respectively); the total large loans ratio as at 31 December 2010 is 94,14 % of the Bank's calculated capital (2009: 79,57 % respectively).

#### NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS

According to local legislation Bank is required to prepare financial group consolidated financial information. Financial group includes the Bank and subsidiaries engaged in financial service activities, that is UAB DnB NORD Lizingas and UAB DnB NORD Investicijų Valdymas. In 2010 Financial group complied with all prudential ratios set by the Bank of Lithuania. Financial group consolidated income statement, statements of comprehensive income, financial position, changes in shareholder's equity and cash flows are presented in this note below:

#### FINANCIAL GROUP INCOME STATEMENT

|   | <b>Financial Group</b> |                  |
|---|------------------------|------------------|
|   | <b>2010</b>            | <b>2009</b>      |
| Interest income   | 445,029                | 648,297          |
| Interest expense  | (203,048)              | (371,964)        |
| <b>Net interest income</b>  | <b>241,981</b>         | <b>276,333</b>   |
| Fee and commission income   | 73,933                 | 70,642           |
| Fee and commission expense  | (16,495)               | (16,420)         |
| <b>Net interest, fee and commission income</b>                              | <b>299,419</b>         | <b>330,555</b>   |
| Net gain on operations with securities and derivative financial instruments | (1,749)                | 89,227           |
| Net foreign exchange gain   | 17,765                 | 8,247            |
| Impairment losses and provisions  | (245,094)              | (681,681)        |
| Other income  | 22,086                 | 15,846           |
| Personnel expenses  | (84,773)               | (82,674)         |
| Depreciation and amortisation   | (16,823)               | (20,516)         |
| Other administrative expenses   | (104,365)              | (92,783)         |
| <b>Profit (loss) before income tax</b>                                      | <b>(113,534)</b>       | <b>(433,779)</b> |
| Income tax  | (18)                   | 27,672           |
| <b>Net profit (loss) for the year</b>                                       | <b>(113,552)</b>       | <b>(406,107)</b> |
| <b>Profit (loss) attributable to:</b>                                       |                        |                  |
| Equity holders of the parent  | (113,552)              | (406,107)        |

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

**NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)**

**THE FINANCIAL GROUP STATEMENT OF COMPREHENSIVE INCOME**

|  | <b>Financial group</b> |                  |
|--|------------------------|------------------|
|  | <b>2010</b>            | <b>2009</b>      |
| <b>Profit (loss) for the year</b>  | <b>(113,552)</b>       | <b>(406,107)</b> |
| Other comprehensive income (expenses), net of tax<br>available for sale assets revaluation | 24                     | 8,039            |
| Total other comprehensive income, net of tax   | 24                     | 8,039            |
| <b>Total comprehensive income(expenses) for the<br/>period, net of tax</b>                 | <b>(113,528)</b>       | <b>(398,068)</b> |
| Atributable to:<br>Equity holders of the parent  | (113,528)              | (398,068)        |

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

**NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)**

**FINANCIAL GROUPS STATEMENT OF FINANCIAL POSITION**

|  | Financial Group   |                   |
|--|-------------------|-------------------|
|  | 31 December 2010  | 31 December 2009  |
| <b>ASSETS</b>  |                   |                   |
| Cash and balances with central banks                       | 525,842           | 368,197           |
| Due from banks   | 483,406           | 330,242           |
| Trading securities   | 30,177            | 74,032            |
| Securities designated at fair value through profit or loss | 459,498           | 231,026           |
| Derivative financial instruments                           | 24,683            | 64,043            |
| Securities available-for-sale                              | 323,925           | 393,756           |
| Loans and advances to customers                            | 8,742,349         | 10,064,059        |
| Finance lease receivables                                  | 385,475           | 501,731           |
| Investments in subsidiaries                                | 33,612            | 5,114             |
| Property, plant and equipment                              | 98,629            | 116,243           |
| Intangible assets  | 5,993             | 10,159            |
| Deferred income tax asset                                  | 30,184            | 30,457            |
| Other assets   | 38,104            | 122,415           |
| <b>Total assets</b>  | <b>11,181,877</b> | <b>12,311,474</b> |
| <b>LIABILITIES AND EQUITY</b>                              |                   |                   |
| Due to banks   | 5,327,814         | 6,763,317         |
| Derivative financial instruments                           | 61,862            | 72,624            |
| Due to customers   | 4,335,032         | 3,405,366         |
| Debt securities in issue                                   | 151,563           | 814,045           |
| Current income tax liabilities                             | -                 | 307               |
| Subordinated loans   | 403,622           | 403,540           |
| Provisions   | 535               | 671               |
| Other liabilities  | 33,638            | 42,905            |
| <b>Total liabilities</b>                                   | <b>10,314,066</b> | <b>11,502,775</b> |
| <b>Equity attributable to equity holders of parent</b>     |                   |                   |
| Ordinary shares  | 656,665           | 656,665           |
| Share premium  | 282,929           | 282,929           |
| Retained earnings  | (242,688)         | (337,607)         |
| Reserves   | 170,905           | 206,712           |
|  | 867,811           | 808,699           |
| <b>Total equity</b>  | <b>867,811</b>    | <b>808,699</b>    |
| <b>Total liabilities and equity</b>                        | <b>11,181,877</b> | <b>12,311,474</b> |

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

**NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)**

**FINANCIAL GROUP STATEMENT OF CHANGES IN EQUITY**

|  | Attributable to equity holders of parent |                |                                      |                   |                |                   |                |
|--|--|----------------|--------------------------------------|-------------------|----------------|-------------------|----------------|
|  | Issued shares                            | Share premium  | Financial assets revaluation reserve | Mandatory reserve | Other reserves | Retained earnings | Total          |
| <b>Balance at 1 January 2009</b>   | <b>590,999</b>                           | <b>277,218</b> | <b>(10,832)</b>                      | <b>15,139</b>     | <b>842</b>     | <b>72,120</b>     | <b>945,486</b> |
| Total comprehensive income   | -  | -              | 8,039                                | -                 | -              | (406,107)         | (398,068)      |
| Depreciation transfer for land and buildings   | -  | -              | -                                    | -                 | (4)            | 4                 | -              |
| Increase of share capital (by issuing ordinary registered shares from the own funds of the Bank) | 65,666                                   | 5,711          | -                                    | -                 | -              | -                 | 71,377         |
| Increase of reserve capital (by additional contributions of shareholders)                        | -  | -              | -                                    | -                 | 189,904        | -                 | 189,904        |
| Transfer to mandatory reserve  | -  | -              | -                                    | 3,624             | -              | (3,624)           | -              |
| <b>Balance at 31 December 2009</b>   | <b>656,665</b>                           | <b>282,929</b> | <b>(2,793)</b>                       | <b>18,763</b>     | <b>190,742</b> | <b>(337,607)</b>  | <b>808,699</b> |
| Total comprehensive income   | -  | -              | 24                                   | -                 | -              | (113,552)         | (113,528)      |
| Depreciation transfer for land and buildings   | -  | -              | -                                    | -                 | (4)            | 4                 | -              |
| Increase of reserve capital (by additional contributions of shareholders)                        | -  | -              | -                                    | -                 | 172,640        | -                 | 172,640        |
| Transfer of reserves   | -  | -              | -                                    | (18,563)          | (189,904)      | 208,467           | -              |
| <b>Balance at 31 December 2010</b>   | <b>656,665</b>                           | <b>282,929</b> | <b>(2,769)</b>                       | <b>200</b>        | <b>173,474</b> | <b>(242,688)</b>  | <b>867,811</b> |

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

**NOTE 41 COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)**

**FINANCIAL GROUP STATEMENT OF CASH FLOWS**

|  | <b>Financial Group</b> |                  |
|--|------------------------|------------------|
|  | <b>2010</b>            | <b>2009</b>      |
| <b>Operating activities</b>  |                        |                  |
| Interest receipt   | 431,345                | 588,617          |
| Interest payments  | (191,230)              | (341,657)        |
| Collected previously written-off loans   | 2,405                  | 2,803            |
| Receipts from FX trading   | 24,804                 | 64,396           |
| Net receipt from operations in securities  | 11,911                 | 15,790           |
| Fee and commission receipt   | 73,933                 | 74,366           |
| Fee and commission payments  | (16,495)               | (16,416)         |
| Salaries and related payments  | (84,920)               | (87,833)         |
| Other payments   | (82,096)               | (80,661)         |
| <b>Net cash flow from operating profits before changes in operating assets and liabilities</b> | <b>169,657</b>         | <b>219,405</b>   |
| (Increase) decrease in operating assets  |                        |                  |
| (Increase) decrease in loans to credit and financial institutions                              | (148,435)              | 11,606           |
| (Increase) in loans granted  | 857,477                | 475,879          |
| Purchase of trading securities   | (1,955,483)            | (1,706,930)      |
| Proceeds from trading securities   | 1,999,509              | 1,695,475        |
| (Increase) decrease in assets  | 257,772                | 174,322          |
| <b>Change in operating assets</b>  | <b>1,010,840</b>       | <b>650,352</b>   |
| Increase (decrease) in liabilities   |                        |                  |
| Increase (decrease) in liabilities to credit and financial institutions                        | (954,884)              | (324,847)        |
| Increase (decrease) in deposits  | 962,911                | (427,998)        |
| Increase (decrease) in other liabilities   | (60,142)               | (1,402)          |
| Change in liabilities  | (52,115)               | (754,247)        |
| <b>Income tax paid</b>   | <b>(154)</b>           | <b>(8,827)</b>   |
| <b>Net cash flows from operating activities</b>  | <b>1,128,228</b>       | <b>106,683</b>   |
| <b>Investing activities</b>  |                        |                  |
| Acquisition of property, plant, equipment and intangible assets                                | (2,671)                | (7,452)          |
| Disposal of property, plant, equipment and intangible assets                                   | 3,639                  | 4,190            |
| Purchase of available for sale securities  | (6,515)                | (5,871)          |
| Proceeds from available for sale securities  | 76,621                 | 228,921          |
| Purchase of securities designated at fair value through profit or loss                         | (525,678)              | (254,176)        |
| Proceeds from securities designated at fair value through profit or loss                       | 297,732                | 318,804          |
| Dividends received   | 12                     | 10               |
| Interest received  | 27,261                 | 40,559           |
| Investment in subsidiaries   | -                      | (1,764)          |
| <b>Net cash flows from investing activities</b>  | <b>(129,599)</b>       | <b>323,221</b>   |
| <b>Financing activities</b>  |                        |                  |
| Own debt securities redemption   | (580,606)              | (751,884)        |
| Own debt securities issued   | 108,935                | 467,794          |
| Increase in share capital  | -                      | 71,377           |
| Increase in reserve capital  | 172,640                | 189,904          |
| Interest paid  | (27,246)               | (51,800)         |
| Received loans   | -                      | 24,170           |
| Repaid loans   | (500,656)              | (403,978)        |
| <b>Net cash flows from financing activities</b>  | <b>(826,933)</b>       | <b>(454,417)</b> |
| <b>Net increase in cash and cash equivalents</b>   | <b>171,696</b>         | <b>(24,513)</b>  |
| Net foreign exchange difference on cash and cash equivalents                                   | (5,651)                | (205)            |
| Cash and cash equivalents at 1 January   | 527,239                | 551,957          |
| <b>Cash and cash equivalents as at 31 December</b>   | <b>693,284</b>         | <b>527,239</b>   |

**NOTE 42 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

There were no material subsequent events at the Group and the Bank.