AB Bankas SNORAS

2009 Separate and Consolidated Financial Statements

Prepared According to International Financial Reporting Standards
Presented together with Independent Auditors' report

ERNST & YOUNG

CONTENTS

ERNST & YOUNG

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Register of Legal Entities

Independent auditors' report to the shareholders of AB Bankas SNORAS

Report on Financial Statements

We have audited the accompanying 2009 financial statements of AB Bankas SNORAS, 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 Bank's and the Group's statements of financial position as of 31 December 2009, income statements, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

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

The audit was completed on 10 March 2010.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

(LTL thousand)

		Group		*Bank*	
		For the year ended 31 December		*For the year ended 31 December*	
	Notes	*2009*	*2008*	*2009*	*2008*
Assets					
Cash and cash equivalents	3	2,050,754	2,338,360	1,356,577	1,538,464
Financial assets at fair value through profit or loss	4	1,008,735	145,169	871,281	91,132
Amounts due from credit institutions	5	229,428	224,240	188,755	177,950
Loans to customers, net	6	4,844,743	4,953,299	3,269,786	3,425,752
Held-to-maturity financial assets	7	336,793	265,247	280,146	161,733
Investments in subsidiaries	1	-	-	139,265	137,636
Investment property	8	65,428	70,071	-	-
Property and equipment	10	234,026	234,552	140,704	125,176
Work in progress	9	11,710	101,652	-	-
Intangible assets	11	53,551	27,981	13,721	8,998
Deferred income tax assets	12	5,202	1,131	-	-
Other assets	14	191,975	90,014	82,343	27,810
Total assets		**9,032,345**	**8,451,716**	**6,342,578**	**5,694,651**
Liabilities					
Amounts due to credit institutions	16	253,528	318,689	178,816	614,008
Derivative financial liabilities	4	6,122	14,807	1,098	788
Debt securities issued	18	529,870	593,913	519,696	576,298
Amounts due to customers	17	7,379,719	6,750,468	4,994,204	3,905,418
Current income tax liabilities		272	3,828	-	-
Deferred income tax liabilities	12	12,787	13,133	7,442	7,913
Other liabilities	14	53,315	59,687	14,902	24,813
Subordinated loans	15	195,308	114,416	121,411	70,293
Total liabilities		**8,430,921**	**7,868,941**	**5,837,569**	**5,199,531**
Equity	19				
Share capital		411,922	411,922	411,922	411,922
Reserves		73,318	66,455	67,539	61,242
Retained earnings		5,631	50,365	25,548	21,956
Total equity attributable to equity holders of the parent		**490,871**	**528,742**	**505,009**	**495,120**
Non-controlling interest		110,553	54,033	-	-
Total equity		**601,424**	**582,775**	**505,009**	**495,120**
Total equity and liabilities		**9,032,345**	**8,451,716**	**6,342,578**	**5,694,651**

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

Signed and authorised for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		10 March 2010
Chief Financial Officer	Jurgita Bliumin		10 March 2010

CONSOLIDATED AND SEPARATE INCOME STATEMENTS

(LTL thousand)

	Notes	Group 2009	Group 2008	Bank 2009	Bank 2008
		For the year ended 31 December		*For the year ended 31 December*	
Interest revenue		508,223	571,545	329,096	340,565
Interest (expenses)		(444,391)	(351,196)	(325,053)	(240,903)
Net interest income	23	63,832	220,349	4,043	99,662
Fee and commission income		109,990	117,983	70,116	81,815
Fee for financial services		23,950	-	-	-
Fee and commission (expenses)		(28,232)	(26,071)	(13,514)	(10,803)
Net fee and commission income	24	105,708	91,912	56,602	71,012
Net trading income	25	73,865	38,180	30,752	7,188
Net income from conversion option	26	64,785	-	61,377	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	27	4,824	(8,384)	1,308	(15,456)
Gain from own bonds repurchase		59,407	31,166	59,407	31,166
Net (loss) on financial assets and liabilities not measured at fair value through profit or loss	28	(5,050)	(11)	(5,060)	(68)
Sale of non-controlling interest	1	-	-	17,579	-
Dividend revenue		8	80	11,367	11,406
Penalty income	14	11,631	-	-	-
Other operating income	29	14,392	11,575	1,645	4,582
Total operating income		393,402	384,867	239,020	209,492
Credit loss (expenses) and impairment losses	13	(146,775)	(68,046)	(87,962)	(38,338)
Net operating income		**246,627**	**316,821**	**151,058**	**171,154**
Salaries and benefits	31	(127,795)	(135,178)	(63,515)	(70,280)
Depreciation and amortisation	11	(26,937)	(24,692)	(14,139)	(11,513)
Other operating expenses	30	(133,081)	(125,098)	(64,874)	(62,017)
Total operating expenses		**(287,813)**	**(284,968)**	**(142,528)**	**(143,810)**
Profit before income tax		**(41,186)**	**31,853**	**8,530**	**27,344**
Income tax expense	12	(2,953)	(8,511)	160	(5,388)
Profit (loss) for the year		**(44,139)**	**23,342**	**8,690**	**21,956**
Attributable to:					
Equity holders of the parent		(33,605)	23,286	8,690	21,956
Non-controlling interest		(10,534)	56	-	-
		(44,139)	**23,342**	**8,690**	**21,956**
Basic and diluted earnings per share (LTL)	20	(0.09)	0.05		

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

Signed and authorized for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		10 March 2010
Chief Financial Officer	Jurgita Bliumin		10 March 2010

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(LTL thousand)

	Group		*Bank*	
	For the year ended 31 December		*For the year ended 31 December*	
	2009	*2008*	*2009*	*2008*
(Loss) profit for the reporting year	**(44,139)**	**23,342**	**8,690**	**21,956**
Change of revaluation reserve of property and equipment	1,199	(1,366)	1,199	(1,366)
Change of revaluation of foreign currency translation	4,919	(4,975)	-	-
Change of revaluation reserve of financial assets	-	66	-	49
Other comprehensive income for the year, net of tax	**6,118**	**(6,275)**	**1,199**	**(1,317)**
Total comprehensive income for the year, net of tax	**(38,021)**	**17,067**	**9,889**	**20,639**
Attributable to:				
Equity holders of the parent	(27,487)	17,011	9,889	20,639
Non-controlling interest	(10,534)	56	-	-

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

Signed and authorized for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		10 March 2010
Chief Financial Officer	Jurgita Bliumin		10 March 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December, 2009 and 2008

(LTL thousand)

Group

	Attributable to the equity holders of the parent									
	Share capital	***Share surplus***	***Reserve capital***	***Revaluation reserve of property and equipment***	***Revaluation reserve of financial assets***	***Reserve of foreign currency translation***	***Other general reserves***	***Retained earnings***	***Minority interest***	***Total equity***
As of 31 December 2007	**253,354**	**99,137**	**16,190**	**41,975**	**(66)**	**56**	**7,224**	**123,864**	**53,761**	**595,495**
Total comprehensive income/expenses for the reporting year	-	-	-	(1,366)	66	(4,975)	-	23,286	56	17,067
Changes in ownership interest in subsidiaries without loss of control	-	-	-	-	-	-	-	-	(1,892)	(1,892)
Increase of share capital (Note 19)	158,568	(99,137)	-	-	-	-	-	(59,431)	-	-
Dividends	-	-	-	-	-	-	-	(30,003)	(3,037)	(33,040)
Non-controlling interest emerged with the acquisition of subsidiary companies (Note 1)	-	-	-	-	-	-	-	-	5,145	5,145
Transfer to reserve capital	-	-	2,467	-	-	-	-	(2,467)	-	-
Transfer to other reserves	-	-	-	-	-	-	4,884	(4,884)	-	-
As of 31 December 2008	**411,922**	**-**	**18,657**	**40,609**	**-**	**(4,919)**	**12,108**	**50,365**	**54,033**	**582,775**
Total comprehensive income/expenses for the reporting year	-	-	-	1,199	-	4,919	-	(33,605)	(10,534)	(38,021)
Disposal of interest in subsidiaries (Note 1)	-	-	-	-	-	-	-	19,286	-	19,286
Changes in ownership interest in subsidiaries without loss of control	-	-	-	(4,467)	-	-	-	(25,203)	67,054	37,384
Transfer to reserve capital	-	-	4,000	-	-	-	-	(4,000)	-	-
Transfer to other reserves	-	-	-	-	-	-	1,212	(1,212)	-	-
As of 31 December 2009	**411,922**	**-**	**22,657**	**37,341**	**-**	**-**	**13,320**	**5,631**	**110,553**	**601,424**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December, 2009 and 2008

(LTL thousand)

Bank

	Share Capital	*Share surplus*	*Reserve capital*	*Revaluation reserve of property and equipment*	*Revaluation reserve of financial assets*	*Other general reserves*	*Retained earnings*	*Total equity*
As of 31 December 2007	**253,354**	**99,137**	**16,190**	**32,519**	**(49)**	**6,595**	**96,738**	**504,484**
Total comprehensive income/expenses for the reporting year	-	-	-	(1,366)	49	-	21,956	20,639
Increase of share capital (Note 19)	158,568	(99,137)	-	-	-	-	(59,431)	-
Dividends paid	-	-	-	-	-	-	(30,003)	(30,003)
Transfer to reserve capital	-	-	2,467	-	-	-	(2,467)	-
Transfer to other reserves	-	-	-	-	-	4,837	(4,837)	-
As of 31 December 2008	**411,922**	**-**	**18,657**	**31,153**	**-**	**11,432**	**21,956**	**495,120**
Total comprehensive income/expenses for the reporting year	-	-	-	1,199	-	-	8,690	9,889
Transfer to reserve capital	-	-	4,000	-	-	-	(4,000)	-
Transfer to other reserves	-	-	-	-	-	1,098	(1,098)	-
As of 31 December 2009	**411,922**	**-**	**22,657**	**32,352**	**-**	**12,530**	**25,548**	**505,009**

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

Signed and authorized for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		10 March 2010
Chief Financial Officer	Jurgita Bliumin		10 March 2010

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

(LTL thousand)

		Group		Bank	
		For the year ended 31 December		For the year ended 31 December	
	Notes	2009	2008	2009	2008
Operating activities					
Net result for the year		(44,139)	23,342	8,690	21,956
Adjustments to reconcile net profit or loss to net cash provided by operating activities		**70,443**	**89,289**	**(20,499)**	**35,671**
Income tax expenses (income)		2,953	8,511	(160)	5,388
Unrealized foreign currency gains and losses		32,233	27,534	18,940	14,671
Revaluation of derivatives		(18,071)	(3,226)	(11,950)	(1,948)
Revaluation of property, equipment and investment property		6,125	-	3,255	-
Depreciation / amortization		26,937	24,692	14,139	11,512
Impairment		134,541	44,021	72,159	17,959
Provisions, net		(50)	-	765	-
(Gains) on sale of investments, net		(3,216)	(1,746)	(17,579)	(1,746)
Impairment of held-to-maturity investments		12,234	21,012	12,234	21,012
Impairment of investment into subsidiaries		-	-	3,569	-
(Gains) on sale of conversion option and loans		(56,377)	-	(56,377)	-
(Gains) on purchase of own issued debt securities		(59,407)	(31,166)	(59,407)	(31,166)
Gains on sale of tangible assets, net		(150)	(343)	(87)	(11)
Disposal of non-controlling interest		(7,309)	-	-	-
		26,304	**112,631**	**(11,809)**	**57,627**
(Increase) decrease in balances with banks		(1,295)	214,120	(10,805)	209,879
(Increase) decrease in loans and receivables		16,483	(910,504)	96,914	(794,985)
(Acquisition) sale of held for trading securities		(56,970)	188,253	(69,252)	192,654
(Acquisition) sale of financial assets designated at fair value through profit or loss		(767,319)	511,006	(698,635)	408,333
Decrease (increase) in other assets		8,161	(173,994)	(18,372)	(26,692)
(Decrease) increase in deposits from credit institutions		(93,446)	(200,623)	(435,192)	231,412
Increase (decrease) in deposits (other than from credit institutions)		599,104	(295,533)	1,088,786	(233,045)
Increase (decrease) in other liabilities		(6,300)	(9,179)	(7,391)	4,037
Income tax (paid)		(6,509)	(13,173)	(1,120)	(8,946)
Cash flows (to) from operating activities		**(281,787)**	**(576,996)**	**(66,876)**	**40,274**
Investing activities					
Cash (payments) to acquire tangible assets and investment property	8,10	(24,054)	(51,368)	(31,712)	(29,436)
Cash receipts from the sale of tangible assets and investment property		2,724	673	175	44
Cash (payments) to acquire intangible assets	11	(8,718)	(10,347)	(7,235)	(6,787)
Cash receipts from the sale of intangible assets		141	116	21	-
Cash (payments) for the investment in subsidiaries, net of cash acquired		(30,018)	(3,208)	(7,370)	(724)
Cash receipts from the disposal of associates, subsidiaries, net of cash disposed	1	30,016	-	16,350	-
Cash receipts from redemption of held to maturity investments		100,625	33,769	35,807	32,914
Cash (payments) to acquire held-to-maturity investments		(184,405)	(134,514)	(166,455)	(54,689)
Net cash flow from (to) investing activities		**(113,689)**	**(164,879)**	**(160,419)**	**(58,678)**
Financing activities					
Dividends (paid)		-	(33,040)	-	(30,003)
Issue of debt certificates (including bonds)		120,409	18,665	127,486	18,665
(Repayments) of debt certificates (including bonds)		(125,130)	(33,506)	(124,766)	(36,579)
Cash proceeds from the issuance of subordinated liabilities		80,892	-	51,118	-
Increase in share capital of subsidiaries		44,693	-	-	-
Net cash flow from (to) financing activities		**120,864**	**(47,881)**	**53,838**	**(47,917)**
Net (decrease) increase in cash and cash equivalents		(274,612)	(789,756)	(173,457)	(66,321)
Net foreign exchange difference		(12,994)	28,680	(8,430)	16,964
Cash and cash equivalents at beginning of the period		2,338,360	3,099,436	1,538,464	1,587,821
Cash and cash equivalents at end of the period	3	**2,050,754**	**2,338,360**	**1,356,577**	**1,538,464**

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CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS (CONT'D)

(LTL thousand)

	Group		Bank	
	For the year ended 31 December		For the year ended 31 December	
	2009	2008	2009	2008
Interest received	451,825	566,760	274,912	344,363
Interest (paid)	(416,310)	(323,264)	(309,883)	(219,789)
Dividends received	8	80	11,367	11,406

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

Signed and authorized for release on behalf of the Board of Directors of the AB Bankas SNORAS:

President	Raimondas Baranauskas		10 March 2010
Chief Financial Officer	Jurgita Bliumin		10 March 2010

(LTL thousand)

1. Principal Activities

AB Bankas SNORAS (hereinafter the Bank) is the parent company of the Group. It was formed on 17 March 1992 under the laws of the Republic of Lithuania. The Bank operates under a general banking license issued by the Bank of Lithuania. The Banks main office is in Vivulskio Str. 7, Vilnius, Lithuania and it has 12 branches in Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Utena, Marijampolė, Mažeikiai, Alytus, Tauragė, Tallin (Estonia), Riga (Latvia) and 245 operating outlets.

The Bank offers the following banking services: accepts deposits from individuals, issues loans and provides short-term trade financing and consults clients, processes payments in Litas and other currencies, issues and services magnetic and microchip cards, collects payments, exchanges currency and provides other services. The Group companies provide the banking, real estate management, construction and renovation, asset and investment management, consumer financing and securities fund management services to the participants of the markets of Lithuania, Baltic states and Russia (Ukraine in year 2008).

	As of 31 December	
Shareholders (ordinary shares) of AB Bankas SNORAS	*2009, %*	*2008, %*
Mr. Vladimir Antonov, chairman of the Bank's Council	67.28	67.28
Mr. Raimondas Baranauskas, chairman of the Bank's Board	25.01	25.01
Other: number of shareholders / owned %	3,292/7.71	3,027/7.71
Total	**100.00**	**100.00**

	As of 31 December	
Shareholders (preference shares) of AB Bankas SNORAS	*2009, %*	*2008, %*
Conversgroup Holding Company	45.00	45.00
Mr. Raimondas Baranauskas, chairman of the Bank's Board	10.00	10.00
Clients of Skandinaviska Enskilda Banken	8.43	9.92
Mr. Žilinskis Algirdas Liudvikas	5.64	5.64
Other: number of shareholders / owned %	422/30.93	343/29.44
Total	**100.00**	**100.00**

As of 31 December 2009 and 2008 the members of the Management Board controlled 98,035,867 shares or 25.01 % of the Bank.

The Bank has the following subsidiaries, which were consolidated in these financial statements:

	Effective Ownership %			
Subsidiary	***2009***	***2008***	***Country***	***Industry***
UAB Snoro Lizingas	100 %	100 %	Lithuania	Consumer financing
UAB Snoro Rizikos Kapitalo Valdymas	100 %	100 %	Lithuania	Debt recovery
UAB Vilniaus Kapitalo Vystymo Projektai	50 %	60 %	Lithuania	Real estate
UAB Snoro Turto Valdymas	100 %	100 %	Lithuania	Venture capital projects
ZAO Yarovit	-	100 %	Russia	Real estate
UAB JT Investicijų Valdymas*	-	66.66 %	Lithuania	Fund management
UAB Snoro Fondų Valdymas*	-	100 %	Lithuania	Fund management
UAB Snoro Media Investicijos	100 %	-	Lithuania	Investment
AB Finasta Holding (name changed from UAB Snoro investicijų valdymas in 2008)	100 %	100 %	Lithuania	Investment (Real estate in 2008)
AB FMĮ Finasta	100 %	-	Lithuania	Financial brokerage
UAB FMĮ Jūsų Tarpininkas	100 %	-	Lithuania	Financial brokerage
UAB Finasta Asset Management	100 %	-	Lithuania	Fund management
UAB Snoras Asset management	100 %	-	Lithuania	Fund management
IPAS Finasta Asset management Latvia	100 %	-	Latvia	Fund management
AB Finasta Corporate Finance	100 %	-	Lithuania	Consulting
AB Finasta Įmonių Finansai	100 %	-	Lithuania	Consulting
AB bankas Finasta	100 %	-	Lithuania	Investment banking
ZAO Snoras Capital Market	99.98 %	99.98 %	Russia	Fund management
UAB Snoro Valda	100 %	100 %	Lithuania	Real estate
AS Latvijas Krājbanka	53.11 %	76.02 %	Latvia	Banking
SIA Krājinvestīcijas	53.11 %	76.02 %	Latvia	Real estate
AS LKB Asset Management	53.11 %	76.02 %	Latvia	Fund management
AS LKB Krajinfondi	53.11 %	76.02 %	Latvia	Fund management
AS Pirmais Atklātais Pensiju Fonds	53.11 %	76.02 %	Latvia	Fund management
SIA LKB Līzings	53.11 %	76.02 %	Latvia	Consumer financing
SIA LKB Drošība	53.11 %	76.02 %	Latvia	Security and cash services
AAS LKB Life	52.99 %	75.70 %	Latvia	Insurance
AS Center Credit	-	38.77 %	Latvia	Investment services
ZAO Spozhyv Service	-	38.77 %	Ukraine	Consumer financing
SIA LKB Collect	53.11 %	-	Latvia	Money Collecting
AS IBS Renesource Capital	53.11 %	-	Latvia	Financial brokerage

** reorganized into joint venture management company UAB Snoras Asset Management.*

(LTL thousand)

The Bank and the above mentioned subsidiaries are further referred as a Group. In the consolidated financial statements all inter-company balances and transactions were eliminated. Consolidated financial statements were prepared using the same accounting principles for similar transactions and events.

The Bank's unconsolidated financial statements are presented according to the requirements of local laws. In stand alone financial statements of the Bank, the investments in subsidiaries are accounted for using the cost method.

UAB Snoro Lizingas was formed as a private company under the laws of the Republic of Lithuania on 30 April 1999. The company's principal activity is consumer financing. In 16 November 2007, UAB Snoro Lizingas founded 100 % controlled subsidiary company UAB Snoro Rizikos Kapitalo Valdymas. The company's principal activity is debt recovery.

UAB Vilniaus Kapitalo Vystymo Projektai was formed as a private company under the laws of the Republic of Lithuania on 17 November 2000. The company's principal activity is real estate development, rent and sale. On 30 June 2009 the Bank sold 10 % of UAB Vilniaus Kapitalo Vystymo Projektai shares. Gain from sale of shares in amount of LTL 19,286 thousand in the consolidated financial statements of the Group was accounted for directly in the statement of changes in equity, however Bank maintained the control of a subsidiary.

UAB Snoro Investicijų Valdymas was formed as a private company under the laws of the Republic of Lithuania on 14 February 2005. Till November 2009 the company's principal activity was real estate management. On 24 July 2009 UAB Snoro Investicijų Valdymas bought JSC Snoras Capital Market Limited from Group company UAB Snoro Turto Valdymas.

On 16 September 2009 company bought AB FMĮ Finasta (Financial brokerage), UAB Invalda Asset Management (subsequently name was changed to Finasta Assets Management, principal activity - Fund management), IPAS Finasta Asset management Latvia (Fund management), AB Finasta Įmonių Finansai (Finance consulting), AB Finasta Įmonių Finansai have subsidiary company AB bankas Finasta (Investment Banking).

On 11 November 2009 UAB Snoro Investicijų Valdymas company was reorganized and name was changed to AB Finasta Holding. Now the company's principal activity is investments in other companies and their management.

On 9 December UAB Finasta Assets Management (the subsidiary company of AB Finasta Holding) bought UAB Snoras Assets Management from Group companies – AB bankas SNORAS and UAB Snoro turto Valdymas.

On 9 December AB FMĮ Finasta (the subsidiary company of AB Finasta Holding) bought UAB FMĮ Snoras-Jūsų Tarpininkas from the Group company - UAB Snoro turto Valdymas.

In November 2009 AB Finasta Holding established subsidiary company AB Finasta Corporate Finance, the company's principal activity is consulting on merger and acquisitions.

UAB Snoro Turto Valdymas was formed as a private company under the laws of the Republic of Lithuania on 18 December 2003. The company's principal activity is venture capital projects. In December 2007 and January 2008 this subsidiary acquired 29.8 % of shares in Dutch company Spyker Cars N.V. and in 25 December 2008 this subsidiary sold all shares of Spyker Cars N.V. (Note 4).

On 21 March 2008 UAB Snoro Turto Valdymas bought 99.98 % of JSC Imaco Trade Invest (subsequently name was changed to JSC Snoras Capital Market Limited). The company's principal activity is fund management in Russia. On 24 July 2009 UAB Snoro Turto Valdymas sold all shares of JSC Snoras Capital Market Limited to Group company UAB Snoro Investicijų Valdymas (company was reorganized and name was changed to AB Finasta Holding).

On 19 June 2008 UAB Snoro Turto Valdymas bought and on 10 December 2009 sold 100 % of JSC Transport company Yarovit. The company's principal activity was real estate development.

On 26 August 2008 UAB Snoro Turto Valdymas bought 66.66 % of UAB JT Investicijų Valdymas. The company's principal activity was fund management. On 9 March 2009 UAB JT Investicijų Valdymas and UAB Snoro fondų valdymas was reorganized into joint venture management company UAB Snoras Asset Management. On 9 December 2009 UAB Snoro Turto Valdymas sold its own part of UAB Snoras Asset Management to Group Company AB Finasta Asset Management.

UAB Snoro Fondų Valdymas was formed as a private company under the laws of the Republic of Lithuania on 4 March 1992. The company's principal activity was fund management. On 9 March 2009 UAB Snoro Fondų Valdymas and UAB JT Investicijų Valdymas were reorganized into joint venture management company UAB Snoras Asset Management.

UAB Snoro Valda was formed as a private company under the laws of the Republic of Lithuania on 25 November 2008. The company's principal activity is real estate management.

(LTL thousand)

UAB Snoro Media Investicijos was formed as a private company under the laws of the Republic of Lithuania on 16 June 2009. The main areas of the company‘s activity - investments in other companies and their management.
During the 2009 the Bank interest in the Latvian commercial bank AS Latvijas Krājbanka decreased from 76.02 % on 31 December 2008 to 53.11 % on 31 December 2009, because in 2009 the major shareholder of AB bank SNORAS invested in AS Latvijas Krājbanka new share issue.

On 31 December 2009 and 2008 AS Latvijas Krājbanka has a 100 % owned limited liability company SIA Krājinvestīcijas (Real estate), SIA LKB Lizings (Consumer financing), AS Pirmais Atklātais Pensiju Fonds (Fund management), LKB Assets Management (Investment fund management), AS LKB Krajinfondi (Fund management), SIA LKB Drošiba (Securities services) and 99.79 % owned limited liability company AAS LKB Life (Insurance services).

In August 2008 AS Latvijas Krājbanka concluded a contract on acquisition of 51 % of AS Center Credit capital shares. AS Center Credit, in its turn, holds 100 % capital shares of the limited liability company ZAO Spozhyv Servis («Спожів Сервис») registered in the Ukraine. The principal activities of AS Center Credit – investment and crediting services. During the 2009 AS Latvijas Krājbanka sold company AS Center Credit. The shares in AS Center Credit were sold for LTL 4,693 thousand.

In 2009 subsidiary of the Bank AS Latvijas Krājbanka founded 100 % controlled entity SIA LKB Collect (Money Collecting) and acquired 100 % AS IBS Renesource Capital (Financial brokerage).

As of 31 December 2009 the number of employees of the Group was 2,327 (2,514 as of 31 December 2008). As of 31 December 2009 the number of employees of the Bank was 1,103 (1,287 as of 31 December 2008).

(LTL thousand)

2. Significant Accounting Policies

Basis of presentation

These separate and consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss, available-for-sale financial assets and investment property that have been measured at fair value, and buildings measured at revaluated amounts.

Statement of compliance

The management of the Bank does not believe that uncertainties in Global financial markets and Lithuanian economy, as related to its operations, are any more significant than those of similar enterprises in operating countries and has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Therefore the financial statements continue to be prepared on the going concern basis.

Accordingly, these separate and consolidated financial statements of the Bank and the Group have been prepared on a going concern basis, consistently applying International Financial Reporting Standards (IFRS), effective as of 31 December 2009 as adopted by the European Union.

Presentation currency

The financial statements are presented in thousands of Lithuanian Litas (LTL), the local currency of the Republic of Lithuania, unless otherwise stated. Subsidiaries in Latvia maintain their records in Latvian Lat (LVL), subsidiaries in Russia maintain their records in Russian Rouble (RUB) and subsidiaries in Ukraine maintain their records in Ukrianian Hryvnia (UAH). As these financial statements are presented in LTL thousands, individual amounts were rounded.

Adoption of new and/or changed IFRSs and IFRIC interpretations

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

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

The principal effects of these changes are as follows:

Amendments to IFRS 7 *Financial instruments: Disclosures*

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the group.

IFRS 8 *Operating Segments*

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

Amendment to IAS 1 *Presentation of Financial Statements*

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

(LTL thousand)

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

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

Standards issued but not yet effective

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

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

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

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

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

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

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

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

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

(LTL thousand)

- IFRS 8 *Operating Segments*. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 7 *Statement of Cash Flows*. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- *IAS 36 Impairment of Assets*. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

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

- IFRS 2 *Share-based Payment;*
- IAS 1 *Presentation of Financial Statements;*
- IAS 17 *Leases;*
- IAS 38 *Intangible Assets;*
- IAS 39 *Financial Instruments: Recognition and Measurement;*
- IFRIC 9 *Reassessment of Embedded Derivatives;*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation.*

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

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

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

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

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

Subsidiaries

Subsidiaries, which are those entities in which the Group and the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and the Bank and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated but may result in recognising an impairment loss where the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Identifiable assets, liabilities and contingent liabilities acquired 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 purchase consideration over the fair value of the Group's share of identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Group's share of identifiable net assets of the subsidiary acquired the difference is recognized directly in the statement of income.

(LTL thousand)

Minority interest is the interest in subsidiaries not held directly or indirectly by the Group. Minority interest at the balance sheet date represents the minority shareholders' portion of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' portion of change in equity since the date of the combination. Minority interest is presented within equity.

The sale of minority interest is recorded directly in the Group's statement of changes in equity.

Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

Accounting for subsidiaries in separate financial statements

In separate financial statements the investments in subsidiaries that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 are accounted for at cost less impairment losses.

Financial assets and financial liabilities

The Group and the Bank recognise financial asset on its balance sheet when, and only when, the Group and the Bank becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group and the Bank determine the classification of their financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this classification at each financial year-end.

All "regular way" purchases and sales of investments are recognised using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Group and the Bank. Settlement date accounting refers to the recognition of an asset on the day it is transferred to the Group and the Bank and to the derecognition of an asset, on the day that it is transferred by the Group and the Bank. All other purchases or sales are recognised as derivative instruments until settlement occurs.

<u>Financial assets or financial liabilities at fair value through profit or loss</u>

Derivative Financial Instruments

In the normal course of business, the Group and the Bank enter into various derivative financial instruments including futures, forwards and swaps in the foreign exchange and capital markets. Such financial instruments are primarily held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of income as gains less losses from derivative instruments.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with gains and losses reported in income. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Financial assets or financial liabilities held for trading

Financial assets or financial liabilities classified as held for trading other than derivatives are included in the category "financial assets at fair value through profit or loss". Financial assets or financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Such assets or liabilities are initially and subsequently measured at fair value, which is market price. Related profit or loss on revaluation is charged directly to the income statement. Interest income and expenses and dividends on such investments are recognised as interest income and expenses and dividend income, respectively.

Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Related profit or loss on revaluation is charged directly to the income statement. Interest income and expenses and dividends on such investments are recognised as interest income and expenses and dividend income respectively.

(LTL thousand)

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Bank has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This 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 and discounts. For investments carried at amortised cost, gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and advances are recognised on drawdown. From the date of signing a contractual agreement till the drawdown date they are accounted for as off balance sheet items.

Loan agreements foresee the possibility of repayment before the maturity date. The management of the Bank and the Group cannot estimate how often or when clients would use such an option and therefore the cash flows or the expected life cannot be estimated reliably and, consequently, the contractual cash flows over the full contractual term were used by the Bank and the Group.

Non-performing loans

Loans are treated as non-performing when loss event is identified.

Write-offs

When the loans and advances cannot be recovered and all collateral has been realised, they are written-off and charged against impairment for incurred credit losses. The management of the Group and the Bank makes the decision on writing-off loans. Recoveries of loans previously written-off are credited to the income statement.

Factoring

A factoring transaction is a funding transaction whereby the Group and the Bank finance their customers through buying their claims. Companies alienate rights to invoices due at a future date to the Group and the Bank. Factoring transactions comprise factoring transactions with a right to recourse (the Group and the Bank are entitled to selling the overdue claim back to the customer) and factoring transactions without a right to recourse (the Group and the Bank is not entitled to selling the overdue claim back to the customer). The factor's revenue comprises the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest income depending on the duration of the payment term set by the purchaser.

The factoring balance includes the aggregate amount of factored invoices outstanding as of the reporting date and all amounts accrued for the unpaid amount.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

(LTL thousand)

Debt issued and other borrowed funds

Issued financial instruments and their components are classified as liabilities, where the substance of the contractual arrangement results in the Group and the Bank 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. The components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amounts separately determined as the fair value of the liability component on the date of issue.

After initial recognition, debt issued and other borrowings, which are not designated at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest 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.

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 Group and the Bank 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 Group and the Bank 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 Group and the Bank 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 Group's and the Bank'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 Group and the Bank 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 Group's and the Bank's continuing involvement is the amount of the transferred asset that the Group and the Bank 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 Group's and the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

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

Offsetting

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

Cash and cash equivalents

Cash, current accounts with the Central Banks and current accounts with other banks due to their high liquidity with maturity up to three months as from the date of deposit or acquisition are accounted for as cash and cash equivalents in the cash flow statement. 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.

Compulsory reserves with the Central Banks are treated as cash and cash equivalents, as according to the requirements of the Bank of Lithuania and the Bank of Latvia, the Group and the Bank are obliged to upkeep average rate of funds during the required period, but on the daily basis the whole amount is at the Group's and the Bank's disposition.

(LTL thousand)

Sale and repurchase agreements and lending securities

Securities sold subject to linked repurchase agreements are retained in the financial statements as trading or investment securities and the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits, or deposits due to customers, as appropriate. Securities purchased under agreements to resell are recorded as loans and advances to other banks or customers as appropriate. The difference between sale and repurchase price is treated as interest and amortised over the life of the repurchase agreements using fixed interest rate for the whole period.

Borrowed securities are not included into the financial statements, unless they were sold to a third party. A liability for the obligation to return these securities is recognised at fair value as a trading liability.

Leases

Finance - Group and Bank as a lessee

The Group and the Bank recognises finance leases as assets and liabilities in the balance sheet at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's and the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Finance - Group as a lessor

The Group recognises finance lease receivables at an amount equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating - Group and Bank as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other administrative and operating expenses.

Operating - Group as a lessor

The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognised in statement of income on a straight-line basis over the lease term as other revenue. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are included in the carrying amount of the leased asset.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation is calculated in accordance with accounting policies, used for the Group's property and equipment.

Taxation

The current income tax expenses are calculated in accordance with the regulations of the Republic of Lithuania or applicable regulations of the state of incorporation of subsidiary.

The standard income tax rate in Lithuania is 20 %. Starting from 1 January 2010 the income tax applied to the companies in the Republic of Lithuania is 15 %.

Tax losses in Lithuania can be carried forward for indefinite period (in Latvia for 5 year, Russia – 10 years, Ukraine – indefinite), except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group and the Bank change its activities due to which these losses incurred except when the Group and the Bank do not continue its activities due to reasons which do not depend on the Group and the Bank itself. The losses from disposal of securities and/or derivative financial instruments 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.

(LTL thousand)

In 2009 and 2008 the standard income tax rate in Latvia was 15 % and is based on the taxable profit reported for the taxation period.

In 2009 the standard income tax rate in Russia was 20 % and is based on the taxable profit reported for the taxation period (in 2008 – 24 %).

In 2008 the standard income tax rate in Ukraine was 25 % and is based on the taxable profit reported for the taxation period.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to be applied to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group and the Bank in Lithuania, Latvia, Russia and Ukraine also have various operating taxes that are assessed on the Group's and Bank's activities. These taxes are included as a component of other administrative and operating expenses.

Property and equipment

Property and equipment, except for buildings, are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Buildings are recorded at revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The fair value of the buildings is determined by appraisals undertaken by certified independent appraisers. The depreciation of buildings is calculated on a straight-line basis over the estimated useful lives of assets.

In the case of revaluation, when the fair value of an asset is lower than its carrying amount, the carrying amount of this asset is immediately reduced to the amount of fair value and the decrease is recognised as expenses. However, such decrease is deducted from the amount of increase of the previous revaluation of this asset accounted for in the revaluation reserve, to the extent it does not exceed the amount of such increase.

In the case of revaluation, when the fair value of an asset is higher than its carrying amount, the carrying amount of this asset is increased to the amount of fair value and such increase is recorded directly in equity in the revaluation reserve of property and equipment. However, such increase in value is recognised as income only to the extent it does not exceed the amount of the previous revaluation decrease recognised as expenses.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Depreciation of assets under construction and those not placed in service commences from the date the assets are available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	60 years
Service outlets	20 years
Motor vehicles	6 years
Furniture and fixtures	5 - 7 years
Computers and office equipment	1 - 5 years

Leasehold improvements are amortized over the life of the related leased asset. The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for recognition.

(LTL thousand)

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 balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by he Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Any difference at that date between the carrying amount and fair value is treated in the same way as a revaluation of property and equipment. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised through profit or loss. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised through profit or loss.

Projects under development

Projects under development represent real estate projects in development, which are acquired and further developed for sale. Projects under development are accounted for at lower cost or net realisable value and included in other assets caption in the balance sheet. Cost also includes the cost of development and other directly attributable costs.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired businesses at the date of acquisition. Goodwill arising from the acquisition of a subsidiary is included in intangible assets. Goodwill from the acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IFRS 8 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(LTL thousand)

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful lives 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. Estimated useful lives of intangibles with finite useful lives are presented below:

	Years
Non-contractual customer relationship	10 years
Core deposit intangibles	7 years
Other intangible assets (computer software and licences)	1 - 5 years

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Costs associated with development and maintaining computer software programmes are recorded as an expense when incurred.

Impairment of financial assets

The Group and the Bank assess at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

<u>Due from banks and loans and advances to customers</u>

For amounts due from banks and loans and advances to customers carried at amortised cost, the Group and the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For assets impaired but not reported impairment is assessed collectively. As soon as impairment on individual asset is discovered or stated, it is excluded from total portfolio and assessed for possible impairment loss individually.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding possible future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted using the 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's and the Bank's internal credit rating system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

(LTL thousand)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

For assets which have no impairment reported, impairment loss is attributed pro rata calculated as derivative of bank historical loss on such loans. As soon as individual impairment can be identified, individually significant loans are assessed for impairment individually, by evaluating probabilities of future cash flows and by including possible cash flow from collateral, where appropriate. Individually significant loans are corporate loans and retail loans with collateral (like mortgages). For loans which are not individually significant, impairment is stated as of over 90 days overdue and unified impairment loss is recognised as derivative of historical recovery experience of such loans. Loans not individually significant are retail loans without collateral (like credit cards, consumer loans etc.).

Held to maturity investments

For held to maturity investments the Group and the Bank assess individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If in a subsequent year the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts previously charged are credited to the income statement.

Renegotiated loans

Where possible, the Group and 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 terms. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that the future payments are likely to occur. The loans continue to be the subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Impairment of other assets

The Group and the Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash - generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expenses categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation (if any), had no impairment loss been recognised for the asset in prior years. Such reversal is recognised through profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge (if any) is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Credit-related commitments

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group and the Bank are potentially 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 customers maintaining specific credit standards. The Group and the Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Commitments to extend credit are treated as risk assets for capital adequacy calculation purposes.

In the ordinary course of the business the Group and the Bank issue financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, under Other liabilities caption, being premium received. Subsequent to initial recognition, the Group's and the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required for settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded to the income statement under Impairment expenses caption. The premium received is recognised in the income statement in Net fees and commissions income on a straight line basis over the life of guarantee.

Guarantees represent irrevocable assurances that the Group and the Bank will make payments in the event when a customer cannot meet its obligations to the third parties. In case of execution of such a guarantee it is subsequently accounted for as balance sheet item and is subject for impairment assessment. Until a guarantee is terminated, it is treated as risk asset for capital adequacy calculation purposes.

Documentary and commercial letters of credit represent written undertakings by the Group and the Bank on behalf of a customer authorising a third party to draw drafts on the Group and the Bank up to a stipulated amount under specific terms and conditions. Letters of credit are collateralised by the underlying shipments of goods. Letters of credit are treated as risk assets for capital adequacy calculation purposes.

Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow or recourses embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expenses relating to any provision are presented 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.

Provisions made to guarantees and stand-by facilities

The amount of the loss is recognised when it is probable that the Group and the Bank will recognise an outflow of economic benefit that can be reliably estimated and represents a present legal or constructive obligation.

Retirement and Other Employee Benefit Obligations

The Group and the Bank do not have any pension arrangements separate from the State pension system of the Republic of Lithuania and the Republic of Latvia where applicable, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expenses are charged in the period the related salaries are earned. In addition, the Group and the Bank have no post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital (share surplus).

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent after adjustments for income or expense related to dilutive potential ordinary shares 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.

(LTL thousand)

Contingencies

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

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment (including goodwill), provisions for loan commitments and stand-by facilities, fair value, and realisation of deferred tax assets.

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

The Group and the Bank regularly review their loans and receivables to assess impairment. The Group and the Bank use its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available historical data relating to similar borrowers. Similarly, the Group and the Bank estimate changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables when scheduling its future cash flows. The Group and the Bank use their experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances. 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.

The Group and the Bank determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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.

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 used 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.

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.

Income and expense recognition

Interest income and expenses are recognised on an accrual basis calculated using the effective interest method. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expenses items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts.

(LTL thousand)

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of income as gains less losses from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a certain transaction and the Bank of Lithuania exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official exchange rates of the main currencies, used for the revaluation of balance sheet items as at the year end were as follows (LTL units to currency unit):

	31 December 2009	31 December 2008
1 EUR*	3.4528	3.4528
1 USD	2.4052	2.4507
100 RUB	7.9465	8.3337
1 LVL**	4.8679	4.8872
1 GBP	3.8247	3.5517
10 UAH	2.9842	3.2161

**Starting from 2 February 2002 LTL is pegged to EUR at the rate of LTL 3.4528 for EUR 1,*
***Starting from 1 January 2005 LVL is pegged to EUR at the rate of LVL 0.702804 for EUR 1*

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Lithuanian Litas at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the statement of income.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

Fair values of financial assets and liabilities

For financial instruments traded in active financial markets the fair value is determined by reference to quoted market prices. Bid prices are used for assets and ask prices are used for liabilities. In the absence of an active market 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. For unquoted equity investments fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. Where the fair values of financial assets and liabilities differ materially from their book values, such fair values are separately disclosed in the notes to the financial statements.
The Group uses the level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique (Note 34).

Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Subsequent events

Post-year-end events that provide additional information about the Group's and 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.

(LTL thousand)

3. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Cash at hand	171,023	196,158	119,263	112,244
Current accounts with the Central Banks	340,794	455,589	225,667	335,809
Current accounts with other credit institutions	1,190,847	1,480,147	838,212	912,929
Time deposits with credit institutions up to 90 days	348,090	206,466	173,435	177,482
Cash and cash equivalents	**2,050,754**	**2,338,360**	**1,356,577**	**1,538,464**

The credit institutions in Lithuania and Latvia have to keep a computed deposit (compulsory reserve) at the Central bank. The amount of it depends on the funds attracted by credit institutions. The Group's and the Bank's right to withdraw the deposit is restricted by laws, according to which the monthly average amount of deposit has to be equal to the compulsory reserve, calculated according to the requirements of the Bank of Lithuania and the Bank of Latvia.

The compulsory reserve rate in Lithuania is 4 % as of 31 December 2009 and as of 31 December 2008. 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.

The compulsory reserve rate in Latvia is 3.5 % as of 31 December 2009 and as of 31 December 2008.

4. Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are held for trading or designated as financial assets at fair value through profit or loss upon initial recognition.

Trading assets comprise:

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Treasury bills and bonds of the Republic of Lithuania	33,215	23,572	31,770	23,302
Other governments' debt securities	6,174	1,453	6,174	-
Corporate bonds	103,094	26,649	83,069	26,649
Corporate shares	936	1,762	141	3
Investment funds' units	704	600	-	-
Derivative financial instruments	24,193	18,033	13,049	2,736
Trading assets	**168,316**	**72,069**	**134,203**	**52,690**

The Group and the Bank designate part of financial assets as at fair value through profit or loss upon their initial recognition. Such initial designation is performed due to the accounting mismatch, which would arise between futures, accounted for at fair value through profit or loss (acquired for the purpose of economic hedging of changes in fair value of available for sale assets) and available for sale financial assets which otherwise would be revalued using the fair value reserve within equity.

Financial assets designated as at fair value through profit and loss upon initial recognition comprise:

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Governments' debt securities	742,443	12,392	667,670	-
Corporate bonds	97,976	58,886	69,408	38,442
Corporate shares	-	1,822	-	-
Financial assets designated at fair value through profit and loss upon initial recognition	**840,419**	**73,100**	**737,078**	**38,442**

(LTL thousand)

4. Financial Assets and Liabilities at Fair Value Through Profit or Loss (Cont'd)

In December 2007 and January 2008 Group acquired 29.8 % of shares in Dutch company Spyker Cars N.V. These shares were classified as financial assets designated as at fair value through profit or loss upon initial recognition. On 25 December 2008 Group sold all shares for LTL 80,169 thousand (except one preference share). The profit from this deal amounted to LTL 16,034 thousand.

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

Group	***2009***		***2008***	
	%	***Maturity***	*%*	***Maturity***
Treasury bills and bonds of the Republic of Lithuania	3.75 - 9.37	2010 - 2016	3.75 - 5.1	2009 - 2016
Other governments' debt securities	1.5 - 4.75	2010 - 2014	3.38 - 6.01	2009 - 2016
Corporate bonds	1.78 - 18.46	2010 - 2017	4.12 - 10.10	2009 - 2017

Bank	***2009***		***2008***	
	%	***Maturity***	*%*	***Maturity***
Treasury bills and bonds of the Republic of Lithuania	3.75 - 9.37	2010 - 2016	3.75 - 5.1	2009 - 2016
Other governments' debt securities	1.25 - 4.75	2010 - 2011	-	-
Corporate bonds	2.25 - 13.5	2010 - 2017	4.33 - 7.6	2009 - 2017

The Group acquired derivative financial instruments for trading purposes. Outstanding transactions with derivative financial instruments and trading liabilities are as follows:

Group	***2009***			***2008***		
	Notional amount	***Fair value***		***Notional amount***	***Fair value***	
		Assets	***Liabilities***		***Assets***	***Liabilities***
Foreign exchange contracts						
Forwards and Swaps – foreign	1,278,434	11,463	1,533	797,320	4,347	5,935
Forwards and Swaps – domestic	366,982	3,229	481	207,019	703	16
SPOT transactions	1,386,837	8,378	4,108	1,556,031	11,070	8,856
Foreign exchange contracts total	**3,032,253**	**23,070**	**6,122**	**2,560,370**	**16,120**	**14,807**
Call options						
Equity linked options	99,527	1,123	-	99,472	1,913	-
FX linked options	-	-	-	34,528	-	-
Call options total	**99,527**	**1,123**	**-**	**134,000**	**1,913**	**-**
Total	**3,131,780**	**24,193**	**6,122**	**2,694,370**	**18,033**	**14,807**

Bank	***2009***			***2008***		
	Notional amount	***Fair value***		***Notional amount***	***Fair value***	
		Assets	***Liabilities***		***Assets***	***Liabilities***
Foreign exchange contracts						
Forwards and Swaps – foreign	959,996	8,778	626	332,120	120	692
Forwards and Swaps – domestic	364,584	3,148	472	207,019	703	96
SPOT transactions	26,643	-	-	333,835	-	-
Foreign exchange contracts total	**1,351,223**	**11,926**	**1,098**	**872,974**	**823**	**788**
Call options						
Equity linked options	99,527	1,123	-	99,472	1,913	-
FX linked options	-	-		34,528	-	-
Call options total	**99,527**	**1,123**	**-**	**134,000**	**1,913**	**-**
Total	**1,450,750**	**13,049**	**1,098**	**1,006,974**	**2,736**	**788**

The notional amount, recorded gross, is the amount of a derivative's underlying assets and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

(LTL thousand)

5. Amounts Due from Credit Institutions

Amounts due from credit institutions comprise time deposits of more than 90 days, promissory notes and repurchase agreements (under the class of loans and receivables).

Group	*OECD*		*Lithuania*		*Russia*		*Other countries*		*Total*	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Amounts Due from Credit Institutions	166,056	178,396	16,312	-	30,474	-	16,586	45,844	229,428	224,240
Amounts due from credit institutions	**166,056**	**178,396**	**16,312**	**-**	**30,474**	**-**	**16,586**	**45,844**	**229,428**	**224,240**

Bank	*OECD*		*Lithuania*		*Russia*		*Other countries*		*Total*	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Amounts Due from Credit Institutions	165,533	177,950	16,312	-	6,910	-	-	-	188,755	177,950
Amounts due from credit institutions	**165,533**	**177,950**	**16,312**	**-**	**6,910**	**-**	**-**	**-**	**188,755**	**177,950**

6. Loans to Customers, net

Loans to customers comprise:

	Group		*Bank*	
	2009	***2008***	***2009***	***2008***
Loans to customers	4,392,457	4,276,648	3,045,018	3,060,454
Credit lines	320,895	378,677	294,427	348,974
Financial lease	267,897	317,995	-	-
Reverse repurchase agreements	41,513	47,695	24,763	37,078
Factoring	7,329	1,584	7,030	1,011
Promissory notes	1,712	4,665	1,712	3,282
	5,031,803	**5,027,264**	**3,372,950**	**3,450,799**
Less: allowance for loan impairment (Note 13)	(187,060)	(73,965)	(103,164)	(25,047)
Loans to customers, net	**4,844,743**	**4,953,299**	**3,269,786**	**3,425,752**

During 2009 and 2008 the management of the Group and the Bank has made certain assumptions to arrive at the current estimates of impairment. The management of the Group and the Bank constantly monitor the loan portfolio and investigates market trends so that it could make necessary changes in impairment estimation, if required. Having other information available, management of the Group and the Bank may change assumptions for the impairment assessment, which would result in a change of the impairment allowance.

The Group's fair value of securities acquired under reverse repurchase agreements as of 31 December 2009 was LTL 32,743 thousand, the Bank's – LTL 15,993 thousand (Group – LTL 53,977 thousand, Bank – LTL 43,360 thousand as of 31 December 2008).

Loans have been issued to the following types of customers:

	Group		*Bank*	
	2009	***2008***	***2009***	***2008***
Corporate clients	3,260,544	2,942,782	2,420,802	2,357,328
Individuals	1,491,860	1,894,314	777,745	990,285
State budget or municipal authorities	42,122	48,532	41,355	46,573
State companies	110	10,435	110	130
Other	50,107	57,236	29,774	31,436
Loans to customers, net	**4,844,743**	**4,953,299**	**3,269,786**	**3,425,752**

(LTL thousand)

6. Loans to Customers, net (Cont'd)

Loans are issued within the following industry sectors:

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Individuals	1,491,860	1,894,314	777,745	990,285
Real estate	1,024,391	783,693	612,275	535,631
Transport	398,776	313,037	193,959	170,488
Manufacturing	416,054	408,266	276,950	312,640
Services	374,705	256,810	303,727	201,142
Trading	254,240	323,879	189,452	223,791
Construction	250,047	260,726	172,897	189,146
Financial services	184,291	223,592	480,006	629,422
Agriculture, food processing, forestry	93,118	120,868	62,451	82,009
Electricity	25,459	25,213	21,000	20,714
Government and municipalities	21,342	44,512	20,521	42,630
Fuel, gas and chemical	5,458	10,580	-	-
Other	305,002	287,809	158,803	27,854
Loans to customers, net	**4,844,743**	**4,953,299**	**3,269,786**	**3,425,752**

The table below presents breakdown of loans to actual payable of the customer and accrued and / or impaired amounts:

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Unpaid principal	4,951,986	5,000,813	3,303,384	3,429,856
Accrued and unpaid interest	93,945	43,514	72,571	25,063
Deferred income	(14,128)	(17,063)	(3,005)	(4,120)
Impairment loss allowance	(187,060)	(73,965)	(103,164)	(25,047)
Loans to customers, net	**4,844,743**	**4,953,299**	**3,269,786**	**3,425,752**

Finance lease

Loans and advances to customers include finance lease receivables as follows:

Group	**Total gross investment**		**Present value of minimum lease payments receivables**	
	2009	**2008**	**2009**	**2008**
Minimum lease payments receivables:				
Within one year	104,891	191,450	90,530	148,219
Between 1 and 5 years	108,468	143,866	107,357	85,613
More than 5 years	77,375	9,086	70,010	84,163
Total	290,734	344,402	267,897	317,995
Less: future revenue	(22,837)	(26,407)	-	-
Minimum finance lease payments before loss allowance	**267,897**	**317,995**	**267,897**	**317,995**
Impairment loss allowance	(12,240)	(11,376)	(12,240)	(11,376)
The present value of minimum lease payments	**255,657**	**306,619**	**255,657**	**306,619**

(LTL thousand)

7. Held-to-Maturity Financial Assets

Held-to-maturity financial assets comprise:

Group	*2009*		*2008*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	186,699	201,461	220,949	233,202
Government's bonds	183,133	186,114	65,310	65,641
Impairment (Note 13)	(33,039)	-	(21,012)	-
Held-to-maturity securities	**336,793**	**387,575**	**265,247**	**298,843**

Bank	*2009*		*2008*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	160,073	161,768	166,368	173,592
Government's bonds	153,112	155,497	16,377	17,264
Impairment (Note 13)	(33,039)	-	(21,012)	-
Held-to-maturity securities	**280,146**	**317,265**	**161,733**	**190,856**

Interest rates and maturities of these financial assets are as follows:

Group	*2009*		*2008*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	1.78 - 5.27	2008 - 2015	2.5 - 10.10	2008 - 2013
Government's bonds	3.75	2010 - 2014	3.75 - 6.78	2011 - 2015

Bank	*2009*		*2008*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	1.78 - 5.27	2008 - 2010	2.5 - 8.75	2008 - 2011
Government's bonds	3.75	2010 - 2011	3.75	2011

The Group's and the Bank's fair value of held-to-maturity financial instruments amounted to LTL 320,619 thousand and LTL 264,663 thousand as of 31 December 2009, respectively (LTL 236,416 thousand and LTL 138,219 thousand as of 31 December 2008, respectively) (Note 34).

In 2009 the Bank management based on estimate recognised impairment of held-to-maturity securities in amount of LTL 12,234 thousand (in 2008 – LTL 21,012 thousand) in the statement of income (Note 13).

The Group's and the Bank's interest income earned on held-to-maturity securities in 2009 amounted to LTL 19,474 thousand and LTL 10,465 thousand, respectively (in 2008 – LTL 13,004 thousand and LTL 7,546 thousand, respectively) (Note 23).

8. Investment Property

Investment properties are stated at fair value, which has been determined based on valuation performed by independent appraisers as of 31 December 2009. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The revaluation of buildings was performed on the market value basis.

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Opening balance as of 1 January	70,071	34,100	-	-
Additions	4,835	31,559	-	-
Transfer to the property	(10,229)	-	-	-
Transfer from other assets	2,892	-	-	-
Sale	(1,369)	-	-	-
Net gain (loss) from a fair value adjustment	(772)	4,412	-	-
Closing balance as of 31 December	**65,428**	**70,071**	**-**	**-**

(LTL thousand)

9. Work in progress

Work in progress in 2009 comprises the developing real estate projects of subsidiary UAB Vilniaus Kapitalo Vystymo Projektai in Lithuania

Work in progress in 2008 comprises the developing real estate projects of subsidiaries UAB Vilniaus Kapitalo Vystymo Projektai in Lithuania and JSC Transport company Yarovit in Russia, in Saint Petersburg. The Group acquired JSC Transport company Yarovit in 2008 and sold in 2009 (Note 31).

10. Property and Equipment

The movements in property and equipment were as follows:

Group	*Buildings*	*Office equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*					
31 December 2008	**146,547**	**133,518**	**10,506**	**1,926**	**292,497**
Additions	15,459	9,343	2,754	1,892	29,448
Additions emerged with the acquisition of subsidiary companies	-	3,237	-	-	3,237
Revaluation	(9,876)	-	-	-	(9,876)
Movements	807	-	-	(807)	-
Disposals	(2,853)	(13,960)	(873)	-	(17,686)
31 December 2009	**150,084**	**132,138**	**12,387**	**3,011**	**297,620**
Accumulated depreciation					
31 December 2008	**3,345**	**50,093**	**4,507**	**-**	**57,945**
Depreciation charge for the year	2,834	17,159	1,730	-	21,723
Foreign exchange movements	261	230	13	-	504
Movements	-	-	-	-	-
Disposals	(2,471)	(13,729)	(378)	-	(16,578)
31 December 2009	**3,969**	**53,753**	**5,872**	**-**	**63,594**
Net book value:					
31 December 2008	**143,202**	**83,425**	**5,999**	**1,926**	**234,552**
31 December 2009	**146,115**	**78,385**	**6,515**	**3,011**	**234,026**

Group	*Buildings*	*Office equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*					
31 December 2007	**113,598**	**126,910**	**9,810**	**392**	**250,710**
Additions	32,575	16,044	1,215	1,534	51,368
Additions emerged with the acquisition of subsidiary companies	389	1,281	392	-	2,062
Disposals	(15)	(10,717)	(911)	-	(11,643)
31 December 2008	**146,547**	**133,518**	**10,506**	**1,926**	**292,497**
Accumulated depreciation					
31 December 2007	**31**	**43,654**	**3,793**	**-**	**47,478**
Depreciation charge for the year	2,549	16,332	1,646	-	20,527
Foreign exchange movements	765	585	(97)	-	1,253
Disposals	-	(10,478)	(835)	-	(11,313)
31 December 2008	**3,345**	**50,093**	**4,507**	**-**	**57,945**
Net book value:					
31 December 2007	**113,567**	**83,256**	**6,017**	**392**	**203,232**
31 December 2008	**143,202**	**83,425**	**5,999**	**1,926**	**234,552**

*Revalued amounts for buildings.

(LTL thousand)

10. Property and Equipment (Cont'd)

Bank	*Buildings*	*Office equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*					
31 December 2008	**78,135**	**79,743**	**8,164**	**1,926**	**167,968**
Additions	19,254	7,997	2,569	1,892	31,712
Revaluation	(4,448)	-	-	-	(4,448)
Disposals	(2,394)	(7,361)	-	-	(9,755)
Movements	807	-	-	(807)	-
31 December 2009	**91,354**	**80,379**	**10,733**	**3,011**	**185,477**
Accumulated depreciation					
31 December 2008	**1,283**	**37,105**	**4,404**	**-**	**42,792**
Depreciation charge for the year	1,553	8,918	1,177	-	11,648
Disposals	(2,394)	(7,273)	-	-	(9,667)
Movements	-	-	-	-	-
31 December 2009	**442**	**38,750**	**5,581**	**-**	**44,773**
Net book value:					
31 December 2008	**76,852**	**42,638**	**3,760**	**1,926**	**125,176**
31 December 2009	**90,912**	**41,629**	**5,152**	**3,011**	**140,704**

Bank	*Buildings*	*Office equipment*	*Vehicles*	*Construction in progress*	*Total*
Cost/revalued amounts*					
31 December 2007	**59,528**	**75,862**	**7,789**	**392**	**143,571**
Additions	18,607	8,098	1,197	1,534	29,436
Disposals	-	(4,217)	(822)	-	(5,039)
31 December 2008	**78,135**	**79,743**	**8,164**	**1,926**	**167,968**
Accumulated depreciation					
31 December 2007	**-**	**33,495**	**4,186**	**-**	**37,681**
Depreciation charge for the year	1,283	7,796	1,038	-	10,117
Disposals	-	(4,186)	(820)	-	(5,006)
31 December 2008	**1,283**	**37,105**	**4,404**	**-**	**42,792**
Net book value:					
31 December 2007	**59,528**	**42,367**	**3,603**	**392**	**105,890**
31 December 2008	**76,852**	**42,638**	**3,760**	**1,926**	**125,176**

*Revalued amounts for buildings.

Depreciation expenses were accounted for as operating expenses in the income statement.

On 31 December 2009 the Bank and the Group revalued their buildings. The revaluation was performed by independent property appraisals. The revaluation of buildings was performed on the market value basis. If buildings of the Group and the Bank were carried at cost, carrying value of those assets would have been LTL 113,335 thousand and LTL 71,836 thousand as of 31 December 2009, respectively (LTL 79,755 thousand and LTL 52,875 thousand as of 31 December 2008, respectively). As of 31 December 2009 owner occupied buildings of the Group and the Bank are accounted for at the market value.

(LTL thousand)

11. Intangible Assets

The Group's movements in intangible assets were as follows:

Group	*Non-contractual customer relationships*	*Base deposits*	*Brand name*	*Licences and computer software*	*Goodwill*	*Total*
Cost						
31 December 2008	**3,016**	**8,268**	**4,271**	**24,920**	**1,744**	**42,219**
Additions	-	-	-	8,441	277	8,718
Additions emerged with the acquisition of subsidiary company (Note 31)	8,667	-	1,800	3,503	8,284	22,254
Disposals	-	-	-	(870)	-	(870)
31 December 2009	**11,683**	**8,268**	**6,071**	**35,994**	**10,305**	**72,321**
Accumulated amortisation and impairment						
31 December 2008	**691**	**3,646**	**-**	**9,305**	**596**	**14,238**
Charge for the year	212	1,110	-	3,741	151	5,214
Foreign exchange movements	-	-	-	42	5	47
Disposals	-	-	-	(729)	-	(729)
31 December 2009	**903**	**4,756**	**-**	**12,359**	**752**	**18,770**
Net book value:						
31 December 2008	**2,325**	**4,622**	**4,271**	**15,615**	**1,148**	**27,981**
31 December 2009	**10,780**	**3,512**	**6,071**	**23,635**	**9,553**	**53,551**

Group	*Non-contractual customer relationships*	*Base deposits*	*Brand name*	*Licences and computer software*	*Goodwill*	*Total*
Cost						
31 December 2007	**2,133**	**8,268**	**4,271**	**15,650**	**1,182**	**31,504**
Additions	-	-	-	9,785	562	10,347
Additions emerged with the acquisition of subsidiary company (Note 31)	883	-	-	263	-	1,146
Disposals	-	-	-	(778)	-	(778)
31 December 2008	**3,016**	**8,268**	**4,271**	**24,920**	**1,744**	**42,219**
Accumulated amortisation and impairment						
31 December 2007	**478**	**2,535**	**-**	**7,055**	**591**	**10,659**
Charge for the year	213	1,111	-	2,841	-	4,165
Foreign exchange movements	-	-	-	71	5	76
Disposals	-	-	-	(662)	-	(662)
31 December 2008	**691**	**3,646**	**-**	**9,305**	**596**	**14,238**
Net book value:						
31 December 2007	**1,655**	**5,733**	**4,271**	**8,595**	**591**	**20,845**
31 December 2008	**2,325**	**4,622**	**4,271**	**15,615**	**1,148**	**27,981**

Latvijas Krājbanka brand name in the amount of LTL 4,271 thousand, acquired in 2005 with the acquisition with of 83.01 % AS Latvijas Krājbanka through the business combination in 2005, is considered to have an indefinite life. It was assumed that branded net income of AS Latvijas Krājbanka include net interest and net commission income, while profit on securities trading and foreign exchange and other operating income was perceived as non-branded net income. Accordingly, Latvijas Krājbanka brand name was allocated to Latvia's geographical unit (net interest and net commission income as cash-generating units) and the cash flow projection for Latvia's geographical unit was used while assessing impairment of Krājbanka brand name.

(LTL thousand)

11. Intangible Assets (Cont'd)

The recoverable amount of Latvia's geographical unit was determined based on a value in use calculation. The cash flow projections based on the financial budgets for a four-year period were included in the calculation.

The calculation of value in use is most sensitive to the following key assumptions:
- *Discount rates.* In determining appropriate discount rates for cash-generating units, the regard was given to risk free rate (10 year Latvian Government bond yield) and market risk premium related to the assets tested for impairment. The calculated discount rate is equal to 27.4 %;
- *Growth rate estimates.* The estimated growth of Latvia's geographical unit was assessed according the planned results, as a conservative approach. The growth rates are equal to -8 % and 28 % for the years 2010 and 2011 (12.7 % and 5 % for 2012 and 2013, respectively).

The assessment of value in use of Latvia's geographical unit showed the carrying value of it to be lower than the recoverable amount. A reasonably possible change in a key assumptions on which management has based its determination of the unit's recoverable amount did not show the carrying amount to exceed its recoverable amount.

The additions of non-contractual customer relationships, brand name and goodwill in 2009 were related to the acquisitions of AB FMĮ Finasta, UAB Finasta Įmonių Finansai, UAB Invalda turto valdymas, IPAS Invalda Assets Management (Note 31). The recoverable amount afore mentioned non-contractual customer relationships, brand name and goodwill was determined based on a value in use of cash generating units acquired. The cash flow projections based on the financial budgets for a nine-year period were included in the calculation.

The calculation of value in use is most sensitive to the following key assumptions:
- *Discount rates.* In determining appropriate discount rates for cash-generating units, the regard was given to risk free rate (Lithuanian Government bond yield) and market risk premium related to the assets tested for impairment. The calculated discount rate is equal to 18 %;
- *Growth rate estimates.* The estimated growth of cash-generating units was assessed according the planned results, as a conservative approach. The growth rates are equal to -13.62 % and 24.53 % for the years 2010 and 2011 (3.18 % and 3.2 % for 2012 and 2013 respectively). Growth rates for 2014 – 2019 equals to 3.2 %.

The assessment of value in use of cash-generating units showed the carrying value of it to be lower than the recoverable amount. A reasonably possible change in a key assumptions on which management has based its determination of the unit's recoverable amount did not show the carrying amount to exceed its recoverable amount.

The acquisition of non-contractual customer relationships in 2008 was related to the acquisition of UAB Jūsų Investicijų Valdymas, UAB FMĮ Jūsų Tarpininkas and ASS LKB Life (Note 31).

The Bank's movements in intangible assets were as follows:

Bank	***Licences and computer software***	***Total***
Cost		
31 December 2008	**14,937**	**14,937**
Additions	7,235	7,235
Write-offs and disposals	(659)	(659)
31 December 2009	**21,513**	**21,513**
Accumulated amortisation and impairment		
31 December 2008	**5,939**	**5,939**
Charge for the year	2,491	2,491
Write-offs and disposals	(638)	(638)
31 December 2009	**7,792**	**7,792**
Net book value:		
31 December 2008	**8,998**	**8,998**
31 December 2009	**13,721**	**13,721**

Bank	***Licences and computer software***	***Total***
Cost		
31 December 2007	**8,204**	**8,204**
Additions	6,787	6,787
Write-offs and disposals	(54)	(54)
31 December 2008	**14,937**	**14,937**
Accumulated amortisation and impairment		
31 December 2007	**4,597**	**4,597**
Charge for the year	1,396	1,396
Write-offs and disposals	(54)	(54)
31 December 2008	**5,939**	**5,939**
Net book value:		
31 December 2007	**3,607**	**3,607**
31 December 2008	**8,998**	**8,998**

Amortisation expenses were accounted for as operating expenses in the income statement.

(LTL thousand)

12. Taxation

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Current income tax expense	366	12,219	-	5,279
Correction of prior year income tax	(2,081)	(1,278)	(2,081)	(1,278)
Change in deferred income tax	4,668	(2,430)	1,921	1,387
Income tax expenses (income)	**2,953**	**8,511**	**(160)**	**5,388**
Components of deferred income tax				
Deferred income tax assets				
Revaluation of property and equipment and investment properties	488	-	488	-
Loss carry forward (on financial instruments)	4,285	1,184	-	860
Impairment of financial assets	4,446	2,194	-	-
Deferred administration fee	1,198	1,222	-	-
Tax loss carry forward	8,277	2,948	6,459	-
Other deferred tax asset items	590	1,380	-	-
Total deferred income tax assets	**19,284**	**8,928**	**6,947**	**860**
Less: valuation allowance	(10,905)	(2,194)	(6,459)	-
Deferred income tax assets, net	**8,379**	**6,734**	**488**	**860**
Deferred income tax liabilities				
Revaluation of property and equipment and investment properties	(9,409)	(14,221)	(3,859)	(6,251)
Investment incentive	(985)	(1,450)	(985)	(1,450)
Revaluation of derivative instruments	(1,619)	(473)	(1,619)	(329)
Capitalised VAT	(1,545)	(743)	(1,467)	(743)
Deferred commission expenses	(66)	(428)	-	-
Fair value step-ups of intangible assets	(2,340)	(1,421)	-	-
Total deferred income tax liabilities	**(15,964)**	**(18,736)**	**(7,930)**	**(8,773)**
Deferred income tax, net	**(7,585)**	**(12,002)**	**(7,442)**	**(7,913)**
Presented as:				
Deferred income tax asset	5,202	1,131	-	-
Deferred income tax liability	(12,787)	(13,133)	(7,442)	(7,913)
Deferred income tax, net	**(7,585)**	**(12,002)**	**(7,442)**	**(7,913)**
Deferred tax change, recognized				
(Expenses) income recorded through profit or loss	(4,668)	2,430	(1,921)	(1,387)
Assets emerged with acquisition of subsidiaries	4,097	-	-	-
(Expenses) income recorded through equity	4,988	(3,258)	2,392	(1,366)
Net deferred tax change	**4,417**	**(828)**	**471**	**(2,753)**

The Bank have incurred taxable loss, which can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and / or derivative financial instruments that can be carried forward for 5 consecutive years and offset against future taxable income. However, as of 31 December 2009, deferred tax asset from loss carry forward was fully allowed as taxable loss is expected in forthcoming years.

The Bank and the Group has interest income from Russian Federation which was a subject of Russian Withholding tax and is paying withholding tax in Russia. However, as the received interest is not exceeding 25 % of total income, the Bank can deduct this corporate income tax up to 1/5 of the profit. The Bank can deduct such Corporate tax when it receives certification which proves that the withholding tax has been paid in Russia. Due to this, significant corrections of prior year income tax appeared in 2009 and 2008.

(LTL thousand)

12. Taxation (Cont'd)

Income tax expenses, applicable to the current year result, can be reconciled with income tax expenses calculated using statutory income tax rate for the pre-tax income as follows:

	Group		Bank	
	2009	*2008*	*2009*	*2008*
Income tax calculated at a statutory 20 % tax rate (15 % in 2008)	(8,237)	4,778	1,706	4,102
Permanent differences	7,235	1,588	(3,763)	1,298
Effect of different tax rates in other countries	(147)	934	-	-
Prior year income tax correction	(2,081)	(1,278)	(2,081)	(1,278)
Change in valuation allowance	8,711	(512)	6,459	(712)
Effect of change in tax rate	(2,528)	3,001	(2,481)	1,978
Total income tax expenses (income)	**2,953**	**8,511**	**(160)**	**5,388**

13. Credit loss expenses and impairment losses

The changes in allowances for impairment of interest earning assets carried at amortized cost were as follows:

	Group	Bank
31 December 2007*	**29,944**	**7,088**
Charge for loans	49,533	18,637
Charge for held to maturity bonds	21,012	21,012
Write-offs for loans	(4,882)	(678)
Effect of changes in currency rates for loans	(630)	-
31 December 2008	**94,977**	**46,059**
Charge for loans	141,663	78,138
Charge for held to maturity bonds	12,234	12,234
Charge for investment in subsidiaries	-	3,569
Write-offs for loans	(26,436)	(16)
Effect of changes in currency rates for held to maturity bonds	(207)	(207)
Effect of changes in currency rates for loans	(2,132)	(5)
31 December 2009	**220,099**	**139,772**

*31 December 2007 figures represent impairment charges for the loans only.

The allowances for impairment made for individually impaired financial assets of the Group at 31 December 2009 amounts to LTL 164,154 thousand, the Bank – LTL 99,316 thousand (in 2008 – LTL 70,060 thousand, LTL 30,431 thousand respectively). Collective impairment of the Group at 31 December 2009 amounts to LTL 55,945 thousand, the Bank – LTL 40,456 thousand (in 2008 – LTL 24,917 thousand, LTL 15,628 thousand respectively).

Below is presented reconciliation of impairment recorded to the income statement:

	Group		Bank	
	2009	*2008*	*2009*	*2008*
Charge	153,897	70,545	93,941	39,649
Recoveries of previously written-off loans	(7,122)	(2,499)	(5,979)	(1,311)
As reported in income statement	**146,775**	**68,046**	**87,962**	**38,338**

(LTL thousand)

14. Other Assets and Other Liabilities

Other assets comprise:

	Group		Bank	
	2009	*2008*	*2009*	*2008*
Other assets				
Collaterals taken for realization	70,797	32,070	42,670	-
Prepayments	32,996	14,899	14,707	5,910
Assets held for sale*	20,804	-	-	-
Various receivables	15,813	11,090	6,165	500
Supplies for operations	15,638	16,880	13,015	16,344
Receivable from remuneration for the provided financial services (Note **Error! Reference source not found.**)	11,975	-	-	-
Receivable from sale of subsidiary (Note 1)	4,683	-	-	-
Transit accounts	3,376	5,235	2,344	4,883
Other assets	15,893	9,840	3,442	173
Total other assets	**191,975**	**90,014**	**82,343**	**27,810**

*Krajbanka on 1 July 2008, the customer was issued a loan of LTL 12,306 thousand having a yacht pledged as collateral for the loan. In 2009, the customer began to default on the loan payments. On 14 August 2009, an agreement was signed with the customer on additional penalties to be applied. A penalty of LTL 5,817 thousand was fixed for any delay exceeding 30 calendar days. The parties agreed that in the event of a repeated delay in loan principal/ interest payments for more than 30 calendar days, the Bank will be entitled to exercise its contractual rights to impose a penalty repeatedly. In addition, the Bank may take over the abode yacht, with the borrower compensating all expenses and costs related to the collateral takeover. The customer delayed the loan principal/ interest payments repeatedly and, therefore, the procedures stipulated by the agreement became applicable. According to the agreement, the customer was given a possibility to sell the yacht and so repay the loan balance/ accrued interest due. After the customer's failure to do this, the yacht was taken over by and registered in the Bank's name. The yacht takeover was carried out pursuant to the conditions agreed on with the customer in writing. To estimate the recoverable amount of the yacht, the company Finance group commissioned valuation of the yacht - valuation of the yacht was performed by the valuation company Ocean Independence S.A.M, which arrived at the value of LTL 22,614 thousand. The yacht has been accounted for according to IFRS 5 and recognised at the lower of cost and fair value where cost represents the total amount of the customer's liabilities against the Bank, i.e. LTL 20,804 thousand. By taking over the collateral, the Bank has settled the customer's loan liabilities and interest accrued by the date of the takeover in the amount of LTL 8,978 thousand and penalty of LTL 11,631 thousand as well as the expenses related to the collateral takeover by the Bank of LTL 195 thousand.

According to the Group's strategy, holding of such an asset is dissimilar to the Krajbanka's core business and, therefore, the Krajbanka's is planning to sell this asset in the nearest future.

Other liabilities comprise:

	Group		Bank	
	2009	*2008*	*2009*	*2008*
Other liabilities				
Various payables	15,385	21,645	2,867	1,819
Accrued expenses	14,162	14,406	3,106	4,541
Advances received	5,520	4,549	5,228	4,392
Life insurance technical reserves	2,220	3,035	-	-
Transit accounts	1,481	7,740	924	7,576
Deferred income	1,392	2,843	593	2,027
Dealings with the pension plans, investment funds	852	-	-	-
Other	12,303	5,469	2,184	4,458
Total other liabilities	**53,315**	**59,687**	**14,902**	**24,813**

Transit accounts represent funds that were disbursed from / to the correspondent account of the Group and the Bank, but that have not been applied to customers' accounts as of the reporting date.

(LTL thousand)

15. Subordinated loans

As of 24 December 2009 the Bank received two subordinated loans from its controlling shareholders, who are private individuals. The contractual subordinated loans amounts to LTL 51,792 thousand (EUR 7,500 thousand each) with term of 20 years. These loans bear EUR LIBOR 6-month plus 1 % margin. As of 31 December 2009 the outstanding amount of these subordinated loans, including accrued interest, amounted to LTL 51,815 thousand.

As of 14 September 2005 the Bank received a subordinated loan from its controlling shareholder, who is a private individual. The contractual subordinated loan amounts to LTL 69,056 thousand (EUR 20,000 thousand) with term of 15 years. This loan bears EUR LIBOR 12-month plus 1.8 % margin. As of 31 December 2009 the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 69,596 thousand (LTL 70,293 thousand in 2008). The loan agreement foresees the possibility of conversion to the shares of the Bank, but terms for conversion are not outlined. The conditions for conversion will be agreed by the parties in good faith.

As of 14 July 2009 the Bank's subsidiary AS Latvijas Krājbanka received a subordinated loan from Bank's controlling shareholder, who is a private individual. The contractual subordinated loan amounts to LTL 27,622 thousand (EUR 8,000 thousand) with term of 10 years and 9.5 % interest rate. As of 31 December 2009 the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 30,253 thousand.

As of 31 December 2009, the Bank's subsidiary's AS Latvijas Krājbanka outstanding subordinated loan from Convers Group Management Company amounted to LTL 18,819 thousand (LTL 18,894 thousand in 2008). The debt terms include an interest rate of 7 % and a term of seven years, maturing on 8 November 2012. According to the agreement on subordinated debt with Convers Group Management Company dated on 8 November 2005, the borrower has the right to receive the invested funds at the end of the loan agreement or if the bank is liquidated. The borrower has rights to apply for conversion of the subordinated loan into shares according to the Agreement and legislation. Subordinated loan agreement foresees fixed conversion price of LVL 1.15 per share. On 16 October 2008 the parties agreed to prolong repayment term until 10 years and changed interest rate to 10 % per annum starting from 17 October 2008.

As of 31 December 2009 the Bank's subsidiary's AS Latvijas Krājbanka had two subordinated loans from Akademgrupp. The outstanding subordinated loans were LTL 24,825 thousand (LTL 25,229 thousand in 2008). First loan agreement was signed on 27 December 2006 for the amount of USD 7,1 million with an interest rate of 8.6 % per year and the repayment term of seven years. On 16 October 2008 the parties agreed to prolong repayment term until 9 years. Second loan agreement was signed on 23 August 2007 for the amount of USD 3,3 million with an interest rate of 9.3 % per year and the repayment term of six years. On 16 October 2008 the parties agreed to prolong repayment term until 9 years. According to the provisions under the above-mentioned contracts, the lender has the right to demand early repayment of the loan only upon liquidation of the Bank, and the lender's claim will be settled following settlement of the claims of all other creditors but before settlement of the claims by the Bank shareholders.

16. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	Group		*Bank*	
	2009	***2008***	***2009***	***2008***
Time deposits and loans	247,498	245,415	173,092	474,683
Repurchase agreements	-	29,885	-	29,885
Current accounts	6,030	43,389	5,724	109,440
Amounts due to credit institutions	**253,528**	**318,689**	**178,816**	**614,008**

The fair value of securities placed as collateral on repurchase agreements in 2009 was zero (in 2008 was LTL 31,295 thousand).

(LTL thousand)

17. Amounts Due to Customers

The amounts due to customers include the following:

	Group		Bank	
	2009	***2008***	***2009***	***2008***
Time deposits	5,239,115	4,229,287	3,616,884	3,026,256
Current accounts	2,140,604	2,521,181	1,377,320	879,162
Amounts due to customers	**7,379,719**	**6,750,468**	**4,994,204**	**3,905,418**

Amounts due to customers include accounts with the following types of customers:

	Group		Bank	
	2009	***2008***	***2009***	***2008***
Individuals	5,149,096	4,195,275	3,610,962	2,820,123
Corporate clients	1,814,332	2,178,412	1,306,463	1,004,047
Government departments and state owned enterprises	390,857	353,576	60,401	69,778
Other	25,434	23,205	16,378	11,470
Amounts due to customers	**7,379,719**	**6,750,468**	**4,994,204**	**3,905,418**

An analysis of customer accounts by sector is as follows:

	Group		Bank	
	2009	***2008***	***2009***	***2008***
Individuals	5,149,096	4,195,275	3,610,962	2,820,123
Trade	438,442	475,697	438,442	475,697
Services	418,842	243,130	409,136	243,130
Insurance	160,193	62,681	134,134	31,922
Transport and communication	64,257	55,242	64,257	55,242
Constructions	57,447	50,795	57,447	50,795
Manufacturing	50,448	25,611	50,448	25,611
Real estate	34,625	49,310	34,625	49,310
Agriculture	26,798	11,744	26,798	11,744
Construction of equipment	17,230	18,607	17,230	18,607
Public management	11,588	41,931	11,588	25,740
Security brokers	4,184	7,878	4,184	14,683
Metallurgy	767	708	767	708
Fuel	93	10,104	93	10,104
Other	945,709	1,501,755	134,093	72,002
Amounts due to customers	**7,379,719**	**6,750,468**	**4,994,204**	**3,905,418**

As of 31 December 2009 the Group had deposits from one customer amounting to LTL 147 million (as of 31 December 2008 - LTL 588 million).

As of 31 December 2009 the Bank had deposits from one customer amounting to LTL 117 million (as of 31 December 2008 - LTL 74 million).

(LTL thousand)

18. Debt Securities Issued

As of 31 December 2009 the Bank had the debt securities issued with the amortized cost in amount of LTL 519,696 thousand out of which were debt securities of LTL 505,907 thousand and certificates of deposits of LTL 13,789 thousand. For detalisation of debt securities issued refer to the table below:

Title	ISIN code	Issue date	Maturity date	Fixed interest rate	Currency	Amortized cost (LTL thousand)
SNORAS 7 %, 5/21/2010	XS0301140512	2007.05.21	2010.05.21	7 %	EUR	380,585
SNORAS RDX1	LT1000403683	2008.03.17	2011.03.31	-	EUR	370
SNORAS RDX1 Plius	LT1000403691	2008.03.17	2011.03.31	-	EUR	896
SNORAS RDX2	LT1000403709	2008.03.17	2011.03.31	-	USD	589
SNORAS RDX2 Plius	LT1000403717	2008.03.17	2011.03.31	-	USD	318
SNORAS RDX3	LT0000430498	2008.03.17	2011.03.31	-	LTL	456
SNORAS RDX3 Plius	LT0000430506	2008.03.17	2011.03.31	-	LTL	545
SNORAS Energetika1	LT1000403808	2008.07.14	2011.07.27	-	EUR	1,216
SNORAS Energetika1 Plius	LT1000403816	2008.07.14	2011.07.27	-	EUR	1,921
SNORAS Energetika2	LT1000403824	2008.07.14	2011.07.27	-	USD	715
SNORAS Energetika2 Plius	LT1000403832	2008.07.14	2011.07.27	-	USD	1,589
SNORAS Energetika3	LT0000430605	2008.07.14	2011.07.27	-	LTL	821
SNORAS Energetika3 Plius	LT0000430613	2008.07.14	2011.07.27	-	LTL	1,694
SNORAS Fiksuotų palūkanų Nr.1	LT0000402398	2008.10.22	2010.10.22	7.0 %	LTL	496
SNORAS Fiksuotų palūkanų Nr.3	LT0000401846	2009.01.26	2010.01.29	10.0 %	LTL	404
SNORAS Fiksuotų palūkanų Nr.4	LT0000401887	2009.03.16	2010.03.19	11.0 %	LTL	1,363
SNORAS Fiksuotų palūkanų Nr.5	LT0000401911	2009.04.20	2010.04.22	11.0 %	LTL	1,388
SNORAS Fiksuotų palūkanų Nr.6	LT1000401182	2009.04.20	2010.04.22	9.5 %	EUR	4,280
SNORAS Fiksuotų palūkanų Nr.7	LT0000401937	2009.05.18	2010.05.24	10.5 %	LTL	525
SNORAS Fiksuotų palūkanų Nr.8	LT1000401208	2009.05.18	2010.05.24	9.0 %	EUR	1,081
SNORAS Fiksuotų palūkanų Nr.9	LT0000401960	2009.06.11	2010.06.24	10.0 %	LTL	518
SNORAS Fiksuotų palūkanų Nr.10	LT1000401224	2009.06.11	2010.06.24	8.0 %	EUR	1,314
SNORAS Fiksuotų palūkanų Nr.11	LT0000401986	2009.07.03	2010.07.19	10.0 %	LTL	1,524
SNORAS Fiksuotų palūkanų Nr.12	LT1000401232	2009.07.03	2010.07.19	8.0 %	EUR	2,551
SNORAS Fiksuotų palūkanų Nr.13	LT0000410037	2009.08.10	2010.08.16	10.0 %	LTL	270
SNORAS Fiksuotų palūkanų Nr.14	LT1000401257	2009.08.10	2010.08.16	8.0 %	EUR	2,618
SNORAS Fiksuotų palūkanų Nr.15	LT0000410052	2009.09.07	2010.09.13	10.0 %	LTL	4,086
SNORAS Fiksuotų palūkanų Nr.16	LT1000401265	2009.09.07	2010.09.13	8.0 %	EUR	6,363
SNORAS Nevieša emisija Nr.1	LT0000410045	2009.08.10	2010.08.16	9.5 %	LTL	11,472
SNORAS Neterminuoti skolos VP*	LT1000410019	2009.08.31	-	8.0 %	EUR	73,939
Debt securities issued						**505,907**

*Debt securities without term are not convertible into the shares, therefore excluded from the calculations of the earnings per share

As of 31 December 2008 the Bank had the debt securities issued with the amortised cost in amount of LTL 576,298 thousand.

As of 31 December 2009 the Group had the debt securities issued with the amortised cost in amount of LTL 529,870 thousand (as of 31 December 2008 - LTL 593,913 thousand).

(LTL thousand)

19. Equity

Movements in shares outstanding, issued and fully paid were as follows (excluding preference shares):

Bank

Calculation of weighted average for 2009	Number of shares	Par value	Issued / 365 (days)	Weighted average of ordinary shares
Ordinary shares issued as of 31 December 2009	391,922,567	1	365/365	391,922,567
Shares issued as of 31 December 2009	**391,922,567**	**1**	**365/365**	**391,922,567**

Bank

Calculation of weighted average for 2008	Number of shares	Par value	Issued / 365 (days)	Weighted average of ordinary shares
Ordinary shares issued as of 31 December 2007 without emission as of 28 October 2008	**233,354,240**	**1**	**365/365**	**233,354,240**
New emission of ordinary shares on 28 October 2008*	158,568,327	1	365/365	158,568,327
Shares issued as of 31 December 2008	**391,922,567**	**1**	**365/365**	**391,922,567**

* *New issue of ordinary shares was performed on 28 October 2008 using share surplus and retained earnings, thus 365 days were used for calculation of weighted average of ordinary shares as of 31 December 2008.*

The preference shares (nominal value – LTL 20,000 thousand) are without voting right and with non-cumulative 10 % dividend, therefore excluded from the calculations of the weighted average.

As of 31 December 2009 and 2008 all shares were fully paid.

Nature and purpose of reserves

Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for financial assets

In revaluation reserve for financial assets changes in fair value of available-for-sale financial assets are accounted for.

Reserve of foreign currency translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Legal reserve

The legal reserve is created as required by the regulations of the Republic of Lithuania and Republic of Latvia, in respect of general risks, including future losses and other unforeseen risks or contingencies. The fund has been created in accordance with the Group's charter, which provides for the creation of a fund for these purposes of not less than 10 % of the Group's share capital reported in accordance with Lithuanian Legislation.

Reserve capital

Reserve capital can be either offset against future losses or used for a share capital increase but cannot be distributed in any other manner.

Other general reserves

Other general reserves represent funds which can be freely distributed to the equity holders of the parent and do not have any specific designation.

(LTL thousand)

20. Earnings per Share

	Group	
	2009	*2008*
Net profit (loss) attributable to equity holders of the parent	(33,605)	23,286
Dividends attributable to preferred shares	-	(2,000)
(Loss) profit attributable to ordinary shares	(33,605)	21,286
Weighted average number of ordinary shares as of 31 December (thousand)*	391,923	391,923
Basic and diluted earnings per ordinary share (LTL)	**(0.09)**	**0.05**

New issue of ordinary shares was performed on 28 October 2008 using share surplus and retained earnings. The number of ordinary shares in the table above is shown after the influence of new issue of shares.

On the 17 November 2006 the Bank has registered a new emission of LTL 20,000 thousand nominal amount preference shares. Preference shares are without voting rights and with 10 % non cumulative dividends. Once the dividends are declared, the first LTL 2,000 thousand is to be paid for these shares. As dividends were declared in 2008, the preferred dividends were deducted from profit attributable to ordinary shares in 2008.

Management has prepared the project profit appropriation, which excludes dividends for 2009 (Note 37).

The Bank and the Group have been granted subordinated loans that can be converted into shares, but because neither the conversion date nor conversion terms are reliably set, diluted earnings can not be calculated and therefore corresponds to basic earnings per share. The conditions for conversion will be agreed by the parties in good faith.

21. Dividends per Share

	Group		Bank	
	2009	*2008*	*2009*	*2008*
Dividends paid on preference shares	-	2,000	-	2,000
Dividends paid on ordinary shares	-	28,003	-	28,003
Total dividends paid	**-**	**30,003**	**-**	**30,003**
Number of preference shares (thousand)	-	2,000	-	2,000
Weighted average number of ordinary shares as of 31 December (thousand)	391,923	391,923	391,923	391,923
Dividends per preference share (LTL)	**-**	**1.00**	**-**	**1.00**
Dividends per ordinary share (LTL)	**-**	**0.07**	**-**	**0.07**

(LTL thousand)

22. Commitments and Contingencies

Legal

In the ordinary course of business, the Group and the Bank are subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group and the Bank.

Financial commitments and contingencies

As of 31 December, the Group's and the Bank's financial commitments and contingencies comprised the following:

	Group		Bank	
	2009	2008	2009	2008
Credit related commitments				
Credit commitments	274,954	346,885	248,062	255,731
Issued guarantees	59,460	190,705	68,450	146,858
Letter of credit	5,135	20,129	5,135	20,129
Total credit related commitments	**339,549**	**557,719**	**321,647**	**422,718**

Operating lease commitments – Group as lessee

The Bank and the Group has entered into commercial leases on vehicles and buildings. These leases have an average life of between three and five years.

Future minimum lease payments under operating leases at 31 December are as follows:

	Group		Bank	
	2009	2008	2009	2008
Within one year	2,719	294	324	294
After one year but not more than five years	7,495	277	1,359	277
More than five years	5,588	-	-	-
Total	**15,802**	**571**	**1,683**	**571**

23. Interest revenue and expenses

Net interest income:

	Group		Bank	
	2009	2008	2009	2008
On loans to customers	450,361	457,919	291,856	270,381
On loans and placements with credit institutions	21,627	64,484	18,775	38,967
On held to maturity investments	19,474	13,004	10,465	7,546
On financial assets at fair value through profit or loss	13,877	27,306	6,853	20,269
On placements with central bank	2,884	8,832	1,147	3,402
Interest revenue	**508,223**	**571,545**	**329,096**	**340,565**
On deposits and other repayable amounts	354,718	262,585	256,877	168,461
On debt securities issued	37,767	45,268	37,295	44,391
On liabilities to and placements from credit institutions	19,769	12,866	7,954	5,703
Deposit insurance expenses	23,160	22,233	18,922	17,679
On subordinated loans	8,977	8,244	4,005	4,669
Interest expenses	**444,391**	**351,196**	**325,053**	**240,903**
Net interest income	**63,832**	**220,349**	**4,043**	**99,662**

The Group's and the Bank's interest income earned on impaired loans during 2009 was accordingly LTL 46,153 thousand and LTL 30,683 thousand (LTL 5,562 thousand and LTL 4,604 thousand in 2008, respectively).

The Group and the Bank hadn't interest income earned on impaired investment held to maturity during 2009 and 2008.

(LTL thousand)

24. Net Fee and Commission Income

Net fee and commission income comprises:

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Payment card servicing	36,901	40,516	18,950	22,595
Settlement operations	23,763	24,387	16,351	16,914
Cash collection	10,686	10,136	8,704	8,113
Commissions for other payments	7,063	11,711	6,821	11,556
Currency exchange operations	5,304	4,469	4,830	4,054
Collection of payments	4,159	5,141	6,483	9,659
Guarantees and letters of credit	3,255	3,150	772	1,834
Securities' operations	3,075	5,719	769	1,644
Income from rent	1,068	975	274	353
Other income	14,716	11,779	6,162	5,093
Fee and commission income	**109,990**	**117,983**	**70,116**	**81,815**
Fee for financial services*	**23,950**	**-**	**-**	**-**
Payment card servicing	13,353	9,594	4,883	3,116
Settlement operations	5,055	2,645	5,016	2,645
Securities' operations	3,094	3,846	1,255	2,506
Cash collection	1,374	1,848	1,374	1,588
Currency exchange operations	481	429	481	427
Other expenses	4,875	7,709	505	521
Fee and commission expense	**28,232**	**26,071**	**13,514**	**10,803**
Net fee and commission income	**105,708**	**91,912**	**56,602**	**71,012**

*At the beginning of September 2009, the Bank's subsidiary AS Latvijas Krājbanka was approached by a customer (hereinafter – the Customer) which offered participation in a purchase of shares in a foreign company. AS Latvijas Krājbanka analysed the prior positive cooperation with the Customer and the transaction and supported conceptually its potential involvement in the Customer's transaction with the aim to benefit from the significant compensation in case of Customer's success in the purchase of shares, provided that AS Latvijas Krājbanka would act solely on behalf of the Customer and using the Customer's funds (trust) and any shares that would be acquired would be deemed to have been transferred into trust with the AS Latvijas Krājbanka.

On 29 December 2009, AS Latvijas Krājbanka signed a cooperation agreement with the Customer whereby AS Latvijas Krājbanka was engaged to participate in the above share purchase transaction jointly with the Customer, using the Customer's funds, and in the Customer's best interests, and signed a purchase agreement with the seller. Any shares that would be registered in the AS Latvijas Krājbanka name as a result of the transaction would be deemed to have been transferred into trust with AS Latvijas Krājbanka and would be acquired at Customer's expense. On the date of the report legal ownership of respective shares has not been transferred to AS Latvijas Krājbanka.

AS Latvijas Krājbanka involvement was critical as the Customer alone would not be able to make the transaction because the Customer's status did not comply with the regulations approved by the seller (business activity of the participant of at least 5 years, or an annual turnover amounted to LTL 34,528 thousand in the last business year before participation in the transaction and to have generated profit in the past 3 business years, showing profit for each year separately). Owing to the trust service provided by AS Latvijas Krājbanka, the Customer was able to acquire the shares for LTL 7,527 thousand - rather a low price in comparison to the market value of these shares as established by licensed valuators.

As a result, the fee due to AS Latvijas Krājbanka for the organisation and servicing of the above trust was rather high - the Customer agreed to pay to AS Latvijas Krājbanka the remuneration in the amount of LTL 23,950 thousand, where LTL 23,905 thousand are to be paid as the remuneration for the provided financial services attributed to the acquisition and LTL 45 thousand – for the provided trust services. The total fee amount was recorded in revenue at the date of the agreement.

Within the scope of described transaction AS Latvijas Krājbanka has provided loans to the Customer in the amount of LTL 8,553 thousand (for the financing of share acquisition) and in the amount of LTL 23,950 thousand (for the financing of above mentioned remunerations). The collateral for above mentioned loans serves shares of purchased company, in value, as estimated by independent valuations, more than twice exceeding total AS Latvijas Krājbanka exposure as of balances sheet date.

(LTL thousand)

25. Net Trading Income

	Group		Bank	
	2009	*2008*	*2009*	*2008*
Net gain (loss) from transactions with securities, classified as held for trading	10,575	(5,882)	4,246	(5,356)
Net gain (loss) from derivative instruments	35,401	(30,156)	34,774	(23,148)
Net gain (loss) from transactions in foreign currencies	27,889	74,218	(8,268)	35,692
Net Trading Income	**73,865**	**38,180**	**30,752**	**7,188**

Net gains less losses from transactions with securities, classified as held for trading includes the result of buying and selling, and changes in the fair value of securities.

Net gains less losses from derivative instruments usually includes gains and losses from swap and forward contracts.

Foreign currency transactions principally consist of commissions on currency sales with customers.

Loss from transactions in foreign currencies in 2009, was affected from open balance positions, which were closed by transactions with derivative FX instruments.

26. Net Income from Conversion Option

In 2009 the Group and the Bank got LTL 61,377 thousand gain from revaluation of Spyker Cars loans conversion option. Those loans amounted to 56,523 thousand were sold to Fleming Ltd. for LTL 117,900 thousand consideration payable until 28 December, 2011 with 6 % interest during this period. Consideration was set based on Spyker Cars N.V. share price in the market on the settlement date (30 December, 2009) – EUR 2.1 per share, as those loans had the conversion option.

At the end of December 2009, AS Latvijas Krājbanka and its subsidiary SIA Krājinvestīcijas (hereinafter – Krājinvestīcijas) were approached by the shareholders of a company incorporated in the Republic of Latvia (hereinafter – the Company) seeking an investment into the Company's share capital by acquiring 67% of its total shares for LTL 3,389 thousand. Such kind of an investment was dissimilar to AS Latvijas Krājbanka core business; however, AS Latvijas Krājbanka suggested another customer (hereinafter – the Investor) willing to acquire the shares. Additionally to the share purchase agreement former shareholders purchased a call option on the shares sold to Krājinvestīcijas. The share purchase price at which the call option can be realized is LTL 194,716 thousand. Due to the fact that the shares were sold to the Investor, the fulfilment obligations of the call option (actual delivery of the shares to the person asking for the fulfilment of call option) have also subsequently been transferred to the Investor and Krājinvestīcijas have been waived from any liability whatsoever in that regard. Related parties of the Group were not involved in this financial deal. For the mediation the Group earned fee of LTL 3,408 thousand.

27. Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss

The gains less losses from transactions with securities comprise revaluation result for securities, designated at fair value through profit or loss (Note 4).

28. Net (loss) on financial assets and liabilities not measured at fair value through profit or loss

The gains less losses from transactions with financial assets and liabilities not measured at fair value through profit or loss includes sale of loans with loss of LTL 5,000 thousand in 2009 and profit (loss) from operations with held to maturity investment.

(LTL thousand)

29. Other Operating Income

Other operating income comprises:

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Gain from fair value adjustment of investment property	2,916	4,412	-	-
Managing closed accounts	1,083	4,124	1,083	4,124
Income from sale of assets	150	882	87	18
Other income	10,243	2,157	475	440
Other income	**14,392**	**11,575**	**1,645**	**4,582**

30. Salaries, Benefits and Other Operating Expenses

Salaries and benefits, and other operating expenses comprise:

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Salaries and benefits	100,342	107,381	48,718	54,573
Social security costs	27,453	27,797	14,797	15,707
Salaries and benefits	**127,795**	**135,178**	**63,515**	**70,280**
Rent	19,082	20,899	8,124	9,113
Repair and maintenance of property and equipment	15,104	14,155	10,144	8,257
Taxes, other than income tax	14,261	13,567	5,920	12,542
Charity	11,375	5,124	10,377	2,997
Communications	11,330	11,608	5,893	5,758
Marketing and advertising	8,996	13,737	5,149	8,004
Revaluation expenses of property and investment property	8,844	-	3,255	-
Legal and other consultancy	7,934	10,225	2,847	4,587
Business travel and other related expenses	5,159	1,625	2,577	691
Security	3,419	2,987	1,545	1,510
Data processing	2,696	2,878	1,847	2,190
Representation expenses	1,101	1,619	666	1,175
Stationery	862	1,254	412	536
Personnel training	146	510	87	294
Other	22,772	24,910	6,031	4,363
Other operating expenses	**133,081**	**125,098**	**64,874**	**62,017**

(LTL thousand)

31. Business Combinations

Acquisitions in 2009

AB FMĮ Finasta

On 16 September 2009, the Group company UAB Snoro investicijų valdymas (later named as AB Finasta Holding) bought 100 % AB FMĮ Finasta, by acquiring 57,500 shares for the amount of LTL 3,580 thousand.

At the acquisition date, the fair value of the assets and liabilities of AB FMĮ Finasta can be specified as follows:

	Recognised on acquisition	**Carrying value *at the acquisition date***
Due from credit institutions	1,830	1,830
Financial assets held for trading	4,763	4,763
Other assets	2,332	2,332
	8,925	8,925
Subordinated loans	(4,014)	(4,014)
Other liabilities	(1,331)	(1,331)
Net assets	**3,580**	**3,580**
Consideration paid by the Group	**3,580**	**-**

UAB Finasta Įmonių Finansai

On 16 September 2009 the Group company UAB Snoro investicijų valdymas bought 100 % UAB Finasta Įmonių Finansai, by acquiring 241,500 shares for the amount of LTL 24,919 thousand. At the acquisition date, the fair value of the assets and liabilities of UAB Finasta Įmonių Finansai can be specified as follows:

	Recognised on acquisition	**Carrying value**
Cash	16,319	16,319
Financial assets	25,128	25,128
Loans	23,981	22,362
Property and equipment	2,704	2,704
Intangible assets	3,752	2,544
Other assets	4,640	4,640
	76.524	73,697
Due to credit institutions	(24,271)	(24,271)
Deposits	(30,147)	(30,147)
Other liabilities	(3,893)	(3,893)
Group's share of the fair value of net assets	**18,213**	**15,386**
Goodwill arising on acquisition	6,706	-
Consideration paid by the Group	**24,919**	**-**

UAB Finasta Įmonių Finansai holds 100 % shares of AB Bankas Finasta.

The goodwill of LTL 6,706 thousand represents the value of expected synergies arising from the acquisition and the acquiree's assembled net assets.

(LTL thousand)

31. Business Combinations (Cont'd)

UAB Invalda turto valdymas

On 16 September 2009 the Group company UAB Snoro investicijų valdymas bought 100 % UAB Invalda turto valdymas (later named as UAB Finasta Assets Management), by acquiring 8,440,000 shares for the amount of LTL 16,559 thousand. At the acquisition date, the fair value of the assets and liabilities of UAB Invalda turto valdymas can be specified as follows:

	Recognised on acquisition	Carrying value
Due from credit institutions	2,063	2,063
Intangible assets	10,144	3,902
Other assets	3,506	3,506
	15,713	9,471
Other liabilities	(732)	(732)
Group's share of the fair value of net assets	**14,981**	**8,739**
Goodwill arising on acquisition	1,578	-
Consideration paid by the Group	**16,559**	**-**

The goodwill of LTL 1,578 thousand represents the value of expected synergies arising from the acquisition and the acquiree's assembled net assets.

IPAS Invalda Assets Management

On 16 September 2009 the Group company UAB Snoro investicijų valdymas bought 100 % IPAS Invalda Assets Management (later named as IPAS Finasta Asset Management Latvia), by acquiring 150 shares for the amount of LTL 619 thousand. At the acquisition date, the fair value of the assets and liabilities of IPAS Invalda Assets Management can be specified as follows:

	Recognised on acquisition	Carrying value
Cash	643	643
Other assets	33	33
	676	676
Liabilities	(57)	(57)
Net assets	**619**	**619**
Consideration paid by the Group	**619**	**-**

All above mentioned business combinations performed in 2009 by the Group company UAB Snoro investicijų valdymas (later named as AB Finasta Holding) were evaluated as a pool for goodwill allocation. The net assets of each company were assessed at fair value on recognition date. Total consideration paid amounted to LTL 45,677 thousand. Also, the brand name in amount of 1,800 thousand was recognised due to above mentioned business combination (Note 11).

From the date of the combination, the amounts contributed by AB FMĮ Finasta, UAB Finasta Įmonių Finansai, UAB Invalda turto valdymas, IPAS Invalda Assets Management to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating income of the Group would have been less by LTL 7,486 thousand.

(LTL thousand)

31. Business Combinations (Cont'd)

AS IBS Renesource Capital

In third quarter of 2009 the Group company AS Latvijas Krājbanka bought 100 % of AS IBS Renesource Capital by acquiring 553,216 shares for the amount of LTL 973 thousand. 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 AS IBS Renesource Capital can be specifies as follows:

	Recognised on acquisition	Carrying value
Loans	837	837
Intangible assets	277	-
Other assets	68	68
	1,182	905
Other liabilities	(209)	(209)
Net assets	**973**	**696**
Consideration paid by the Group	**973**	**-**

From the date of the combination, the amounts contributed by AS IBS Renesource Capital to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating income of the Group would have been less by LTL 131 thousand.

Disposals in 2009

On 10 December 2009, UAB Snoro Turto Valdymas disposed of 100% of share capital of its subsidiary JSC Transport company Yarovit in Russia. The net assets disposed were equal to LTL 6,215 thousand. Consideration received was equal to LTL 9,323 thousand.

On 29 October 2009, AS Latvijas Krājbanka disposed of 51% of share capital of its subsidiary SIA Center Credit (together with ZAO Spozhyv Servis). The net assets disposed were equal to 4,585 thousand. Consideration to be received equals to LTL 4,693 thousand.

Acquisitions in 2008

AAS LKB Life

In 2008 the Group company AS Latvijas Krājbanka bought 99,79 % of AAS LKB Life, by acquiring 2,511,895 shares for the amount of LTL 13,264 thousand. 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 AAS LKB Life can be specifies as follows:

	Fair value at the acquisition date	***Carrying value at the acquisition date***
Balances due from credit institutions	13,836	13,836
Financial assets held for trading	1,515	1,515
Available-for-sale financial assets	5	5
Other assets	352	352
Intangible assets (Note 11)	562	-
Total assets	**16,270**	**15,708**
Liabilities	**(2,981)**	**(2,981)**
Net assets	**13,289**	**12,727**
Minority interest (24.14 %)	(3,208)	-
Total net assets acquired by the Group	10,081	-
Group's effective part paid of acquisition	**10,081**	**-**

If the combination had taken place at the beginning of the year, the total net operating income of the Group would have been less by LTL 215 thousand.

(LTL thousand)

31. Business Combinations (Cont'd)

AS Center Credit

In 2008 the Group company AS Latvijas Krājbanka bought 51 % of AS Center Credit, by acquiring 75,556 shares for the amount of LTL 2,742 thousand (561 thousand lats). 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 AS Center Credit can be specifies as follows:

	Fair value at the acquisition date	*Carrying value at the acquisition date*
Cash	601	601
Due from credit institutions	9,740	9,740
Loans and advances to customers	29,514	29,514
Intangible assets (Note 11)	206	279
Fixed assets (Note 10)	2,062	2,297
Other assets	890	655
Total assets	**43,013**	**43,086**
Due to credit institutions	(33,350)	(33,350)
Other liabilities	(5,742)	(5,742)
Net assets	**3,921**	**3,994**
Minority interest (61.23 %)	(2,401)	-
Total net assets acquired by the Group	1,520	-
Group's effective part paid of acquisition	**1,520**	**-**

AS Center Credit, in its turn, holds 100 % capital shares of the limited liability company ZAO Spozhyv Servis («Спожів Сервис») If the combination had taken place at the beginning of the year, the total net operating income of the Group would have been less by LTL 4,125 thousand.

AP Anlage & privatbank AG

In 2008 the Group company AS Latvijas Krājbanka concluded the contract with AS Parex Banka for the purchase of 100 % of AP Anlage & privatbank AG shares. The AP Anlage & Privatbank AG is registered in Switzerland and is focused on individual client service, asset management and investment consultation provision. The parties have failed to reach an agreement on the repayment of the advance of LTL 6,906 thousand made by the Bank and the dispute has been referred to the London Court of International Arbitration.

JSC Imaco Trade Invest

On 21 March 2008 the Group company UAB Snoro Turto Valdymas bought 99.98 % of JSC Imaco Trade Invest (subsequently name was changed to JSC Snoras Capital Market Limited), acquiring 9,998 shares for the total amount of LTL 1,046 thousand (RUB 11,187 thousand). The company's principal activity is fund management in Russia.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of JSC Imaco Trade Invest as at the date of acquisition were:

	Fair value at the acquisition date	*Carrying value at the acquisition date*
Current assets	926	926
Intangible assets (Note 11)	378	-
Other non-current assets	208	479
	1,512	1,405
Current liabilities	466	466
Non-current liabilities	-	-
Net assets	**1,046**	**939**
Consideration paid by the Group	**1,046**	**-**

From the date of the combination, the amounts contributed by JSC Imaco Trade Invest to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating result from continuing operations of the Group would have not been significantly different.

(LTL thousand)

31. Business Combinations (Cont'd)

JSC Transport company Yarovit

On 19 June 2008 the Group company UAB Snoro Turto Valdymas bought 100 % of JSC Transport company Yarovit acquiring 1,000 shares for the total amount of LTL 6,215 thousand (EUR 1,800 thousand), thus becoming the only holder of the company's shares. The company's principal activity is real estate development.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of JSC Transport company Yarovit as at the date of acquisition were:

	Fair value at the acquisition date	*Carrying value at the acquisition date*
Current assets	10,105	10,105
Non-current assets (Note 8)	65,677	64,602
	75,782	74,707
Current liabilities	5	5
Non-current liabilities	69,562	69,562
	69,567	69,567
Group's share of the fair value of net assets	**6,215**	**5,140**
Consideration paid by the Group	**6,215**	**-**

From the date of the combination, the amounts contributed by JSC Transport company Yarovit to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating income of the Group would have been less by LTL 698 thousand.

UAB Jūsų tarpininko investicijų valdymas

On 26 August 2008 the Group company UAB Snoro Turto Valdymas bought 66,66 % of UAB JT Investicijų Valdymas acquiring 156,000 shares of new emission for the total amount of LTL 1,560 thousand.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of UAB JT Investicijų Valdymas as at the date of acquisition were:

	Fair value at the acquisition date	*Carrying value at the acquisition date*
Current assets	1,733	1,733
Non-current assets	557	557
	2,290	2,290
Current liabilities	-	-
Non-current liabilities	878	878
	878	878
Net assets	**1,412**	**1,412**
Minority interest (33,34 %)	(471)	-
Total net assets acquired by the Group	941	-
Group's effective part paid of acquisition	**941**	**-**

From the date of the combination, the amounts contributed by UAB JT Investicijų Valdymas to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating income of the Group would have been less by LTL 807 thousand.

(LTL thousand)

31. Business Combinations (Cont'd)

UAB FMĮ Jūsų Tarpininkas

On 26 August 2008 the Group company UAB Snoro Turto Valdymas bought 66 % of UAB FMĮ Jūsų Tarpininkas acquiring 528,000 shares for the total amount of LTL 476 thousand and on 15 December 2008 – the 44 % of UAB FMĮ Jūsų Tarpininkas shares (27,200) for the total amount of LTL 246 thousand, thus becoming the only holder of the company's shares.

For the purpose of purchase price allocation, the values of identifiable assets, liabilities and contingent liabilities based on carrying amounts of UAB FMĮ Jūsų Tarpininkas as at the date of acquisition were:

	Recognised on acquisition	Carrying value
Current assets	431	431
Non-current assets	591	591
	1,022	1,022
Current liabilities	-	-
Non-current liabilities	546	546
	546	546
Group's share of the fair value of net assets	**476**	**476**
Consideration paid by the Group	**476**	**-**

From the date of the combination, the amounts contributed by UAB FMĮ Jūsų Tarpininkas to the net profit of the Group were not significant. If the combination had taken place at the beginning of the year, the total net operating income of the Group would have been less by LTL 789 thousand.

(LTL thousand)

32. Segment Reporting

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocations and performance assessment. Income taxes are managed on a group basis and are not allocated to operating segments.

The following table represents income and profit and certain asset and liability information regarding Group's operating segments.

	Retail and Corporate Banking	*Investment Banking and Assets Management*	*Leasing*	*Real estate, debt recovery and other activity*	*Eliminations*	*Group*
	2009	*2009*	*2009*	*2009*	*2009*	*2009*
Revenue						
Total operating income from external customers	401,723	8,646	12,355	215	(29,537)	**393,402**
Total operating income inter-segment	52,620	(4,600)	(16,381)	(2,102)	(29,537)	**-**
Total operating income	454,343	4,046	(4,026)	(1,887)	(59,074)	**393,402**
Credit loss expense and impairment losses	(142,797)	(380)	(9,440)	(11,726)	17,568	**(146,775)**
Net operating income	**311,546**	**3,666**	**(13,466)**	**(13,613)**	**(41,506)**	**246,627**
						-
Depreciation of property and equipment	21,088	145	49	441	-	**21,723**
Amortisation of intangible assets	5,186	(38)	66		-	**5,214**
Segment profit (loss)	(1,783)	(5,031)	(4,614)	(17,790)	(11,968)	**(41,186)**
Income tax expense	-	-	-	-	-	**(2,953)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**(44,139)**
Assets						
Capital expenditure (including intangibles, excluding goodwill)	37,811	43	27	8	-	**37,889**
Property and equipment	233,204	3,480	46	2,664	(5,368)	**234,026**
Other intangible assets	30,209	23,262	80	-	-	**53,551**
Total assets	**9,262,866**	**233,853**	**170,011**	**166,997**	**(801,382)**	**9,032,345**
Total liabilities	**8,500,888**	**238,498**	**169,262**	**172,868**	**(650,595)**	**8,430,921**

(LTL thousand)

32. Segment Reporting (Cont'd)

	Retail and Corporate Banking	Investment Banking and Assets Management	Leasing	Real estate, debt recovery and other activity	Eliminations	Group
	2008	2008	2008	2008	2008	2008
Revenue						
Total operating income from external customers	375,237	7,971	17,205	(8,861)	(6,685)	**384,867**
Total operating income inter-segment	46,712	(9,407)	(21,946)	(8,674)	(6,685)	**-**
Total operating income	421,949	(1,436)	(4,741)	(17,535)	(13,370)	**384,867**
Credit loss expense and impairment losses	(63,208)	-	(4,845)	7	-	**(68,046)**
Net operating income	**358,741**	**(1,436)**	**(9,586)**	**(17,528)**	**(13,370)**	**316,821**
Depreciation of property and equipment	20,373	24	73	57	-	**20,527**
Amortisation of intangible assets	4,108	3	53	1	-	**4,165**
Segment profit (loss)	42,664	4,450	3,281	(11,470)	(7,072)	**31,853**
Income tax expense	-	-	-	-	-	**(8,511)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**23,342**
Assets						
Capital expenditure (including intangibles, excluding goodwill)	61,055	-	96	2	-	**61,153**
Property and equipment	231,943	43	89	3,461	(984)	**234,552**
Other intangible assets	27,849	7	125	-	-	**27,981**
Total assets	**9,300,410**	**1,376**	**224,079**	**199,624**	**(1,273,773)**	**8,451,716**
Total liabilities	**8,587,636**	**715**	**215,272**	**192,514**	**(1,127,196)**	**7,868,941**

33. Financial Risk Management

Management of risk is fundamental to the banking business and is an essential element of the Group's and Bank's operations. The main financial risks inherent to the Group's and the Bank's operations are those related to credit, liquidity and changes in interest and foreign exchange rates. A summary description of the Group's and Bank's risk management policies in relation to those risks follows.

Credit risk

The Group and the Bank bear an exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group or the Bank by failing to fulfil an obligation on time. The main principle of the credit policy is the assessment of creditworthiness of every counterparty to receive funding from the bank.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. The lending is provided according to the Lending policy and Credit risk management policy. The key principles of the latter state that risk-return trade-off shall be properly evaluated; in case of large transaction creditworthiness, reliability and nature of the transaction shall be known. In measuring credit risk of individual customer the Bank applies internal ten grade rating system. In measuring joint portfolio credit risk scoring is applied.

The Group's and the Bank's Credit risk management policy sets lending limits regarding single exposure, related exposures and economic activities exposures. The key approach is that credit risk concentration in one industry segment shall not exceed 15 percent of the total credit portfolio value. The policy also places limits on the credit risk exposure to certain geographical segments.

Credit portfolio is monitored daily and actual exposure against limits is identified. Credit portfolio risk exposure is measured for the total credit portfolio and separately for the groups with the similar characteristics: loans to individuals, mortgages, credit cards limits, and loans to corporate entities.

The Group and the Bank take an exposure on the credit risk of interbank deals, setting limits to such deals and amounts held in correspondent accounts. The limit to the amount held in correspondent accounts is set according the correspondent bank credit ratings and other reliability parameters.

Debt securities of banking portfolio are subject to individual risk limits and credit ratings.

(LTL thousand)

33. Financial Risk Management (Cont'd)

Maximum exposure to credit risk

The maximum exposure to credit risk of different financial instrument groups without taking into account the value of credit risk decreasing financial instruments is set out below:

	Group		*Bank*	
	2009	***2008***	***2009***	***2008***
Cash equivalents	1,879,731	2,142,202	1,237,314	1,426,220
Financial assets at fair value through profit or loss	1,007,095	140,985	871,140	91,129
Amounts due from credit institutions	229,428	224,240	188,755	177,950
Held-to-maturity financial assets	336,793	265,247	280,146	161,733
Loans to customers, net	4,844,743	4,953,299	3,269,786	3,425,752
Total	**8,297,790**	**7,725,973**	**5,847,141**	**5,282,784**
Contingent liabilities	274,954	346,885	248,062	255,731
Financial commitments	59,460	190,705	68,450	146,858
Total	**334,414**	**537,590**	**316,512**	**402,589**
Maximum credit exposure	**8,632,204**	**8,263,563**	**6,163,653**	**5,685,373**

Letters of credit haven't credit risk, as they are released after the deposit of client funds.

The maximum credit risk exposure to one client or counterparty as of 31 December 2009 in the Group and the Bank was LTL 117,903 thousand (Group as of 31 December 2008 – LTL 137,931 thousand, Bank – LTL 86,216 thousand).

Maximum exposure to credit risk by industry

Credit risk exposure by industry is set out below:

	Group		*Bank*	
	2009	***2008***	***2009***	***2008***
Banking (including central banks)	2,415,675	2,617,537	1,698,617	1,829,501
Individuals	1,664,250	2,119,802	921,448	1,180,512
Real estate	1,030,577	147,787	618,461	83,435
Government and municipalities	981,435	783,693	883,890	535,631
Transport	446,200	313,037	203,201	170,488
Manufacturing	347,977	220,841	324,374	632,071
Services	322,569	323,879	306,450	223,791
Constructions	289,398	260,726	178,825	189,146
Constructions	289,398	260,726	178,825	189,146
Trading	274,527	460,631	209,739	312,640
Financial services	227,151	256,810	483,552	201,142
Agriculture and food processing	99,046	120,868	73,743	82,009
Electricity	25,609	25,213	21,150	20,714
Fuel, gas and chemical	5,458	10,580	-	-
Other	502,332	602,159	240,203	224,293
Total	**8,632,204**	**8,263,563**	**6,163,653**	**5,685,373**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Maximum exposure to credit risk by countries

Credit risk exposure by countries is set out below:

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Lithuania	2,937,106	2,961,078	3,139,063	3,425,416
Latvia	1,918,410	2,072,361	74,103	100,713
OECD	2,224,939	1,671,862	1,920,897	1,177,632
Other countries	1,551,749	1,558,262	1,029,590	981,612
Total	**8,632,204**	**8,263,563**	**6,163,653**	**5,685,373**

Credit quality per class of financial assets

Credit quality per class of financial assets is outlined below:

	Group		*Bank*	
	2009	*2008*	*2009*	*2008*
Neither past due nor impaired	6,832,949	7,014,263	4,976,906	4,755,548
Past due but not impaired	1,082,364	1,127,265	737,208	829,531
Individually impaired	716,891	122,035	449,539	100,294
Total	**8,632,204**	**8,263,563**	**6,163,653**	**5,685,373**

The fair value of collateral that the Group holds relating to past due not impaired financial assets and individually determined to be impaired financial assets at 31 December 2009 amounts to LTL 1,624,083 thousand, the Bank – LTL 1,011,716 thousand (in 2008 – LTL 1,142,993 thousand, LTL 742,495 thousand, respectively). The main collateral type - property.

The allowances for impairment made for individually impaired financial assets of the Group at 31 December 2009 amounts to LTL 164,154 thousand, the Bank – LTL 99,316 thousand (in 2008 – LTL 70,060 thousand, LTL 30,431 thousand, respectively). Gross amount of financial assets, individually determined to be impaired, before deducting any individually assesses impairment allowance at 31 December 2009 amounts to LTL 881,045 thousand, the Bank – LTL 548,855 thousand (in 2008 – LTL 192,095 thousand and LTL 130,725 thousand, respectively).

Group	***Neither past due nor impaired 2009***				**Total**
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	2,963,457	-	-	2,963,457
Financial institutions	1,123,373	412,504	168,278	839,089	2,543,244
Investment activities:					
Bonds	1,264,663	11,856	6,141	19,395	1,302,055
Derivatives	4,650	1,931	-	17,612	24,193
Total	**2,392,686**	**3,389,748**	**174,419**	**876,096**	**6,832,949**

Group	***Neither past due nor impaired 2008***				**Total**
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	4,194,967	-	-	4,194,967
Financial institutions	1,105,260	605,935	-	730,340	2,441,535
Investment activities:					
Bonds	298,746	25,158	-	35,824	359,728
Derivatives	11,788	1,735	-	4,510	18,033
Total	**1,415,794**	**4,827,795**	**-**	**770,674**	**7,014,263**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	***Neither past due nor impaired 2009***				**Total**
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	2,027,008	-	-	2,027,008
Financial institutions	985,590	410,224	-	419,854	1,815,668
Investment activities:					
Bonds	1,121,181	-	-	-	1,121,181
Derivatives	4,202	189	-	8,658	13,049
Total	**2,110,973**	**2,437,421**	**-**	**428,512**	**4,976,906**

Bank	***Neither past due nor impaired 2008***				**Total**
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	2,418,449	-	-	2,418,449
Financial institutions	577,861	894,082	-	640,765	2,112,708
Investment activities:					
Bonds	221,655	-	-	-	221,655
Derivatives	-	-	-	2,736	2,736
Total	**799,516**	**3,312,531**	**-**	**643,501**	**4,755,548**

Internal credit rating system is grouped as follows:

	Standard & Poor's
High grade	From AAA till BBB-
Standard grade	From BB+ till B-
Sub-standard grade	Less B-

All loans, witch are neither past due nor impaired, are classified as standard grade.

Aging analysis of past due but not impaired loans per class of financial assets

Group	**Past due but not impaired loans 2009**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	105,021	31,735	66,631	190,533	393,920
Corporate clients	135,950	66,022	65,190	421,282	688,444
Total	**240,971**	**97,757**	**131,821**	**611,815**	**1,082,364**

Group	**Past due but not impaired loans 2008**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	248,800	69,456	57,249	50,111	425,616
Corporate clients	396,750	150,705	59,187	95,007	701,649
Total	**645,550**	**220,161**	**116,436**	**145,118**	**1,127,265**

Bank	**Past due but not impaired loans 2009**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	80,983	25,221	15,185	105,106	226,495
Corporate clients	97,844	47,523	54,195	311,151	510,713
Total	**178,827**	**72,744**	**69,380**	**416,257**	**737,208**

Bank	**Past due but not impaired loans 2008**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	173,218	29,632	23,002	24,585	250,437
Corporate clients	319,221	136,790	43,352	79,731	579,094
Total	**492,439**	**166,422**	**66,354**	**104,316**	**829,531**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Carrying amount of financial assets whose terms have been renegotiated

The carrying amount of financial assets whose terms have been renegotiated was LTL 520,010 thousand in the Group and LTL 454,104 thousand in the Bank (Group – LTL 103,881 thousand, Bank – LTL 65,023 thousand in 2008).

Market risk

Market risk is the risk to experience losses or probability that the future cash flows of a financial instrument will decrease due to moves in market factors, such as interest rates, foreign exchange rates and equity prices.

The Group and the Bank separate exposure to market risk into trading related and non-trading related, where risk arises from the currency mismatch between assets and liabilities. Risk management department sets limits to the position value, structure and performs control of the limits by repricing positions by market value. For the trading portfolio of debt securities limits are set according to their credit ratings.

The investment by the Group and the Bank into equity securities is done based on evaluation of equity risks and setting limits to the volatility of a security's price.

Interest rate risk

The Group and Bank take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected changes arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

General interest rate risk is a risk of decrease of Group's and Bank's interest rate margin due to the mismatch of cash flow terms. The Group and the Bank control exposure to interest rate risk by analyzing and forecasting the market interest rates and setting limits on the level of mismatch of cash flow terms due to different timing of their repricing.

The main tool of general interest rate risk management is interest rate gap report, which is used to measure the Group's and the Bank's earnings exposure to potential interest rate movements.

In 2007 the Bank has implemented new funds transfer pricing system based on the good practice standard such as maturity matched pricing in order to better manage interest rate risk.

Interest rate sensitivity analysis

Influence on Group's and Bank's Statement of Income can be calculated based on changes in term structure of individual currency and applying such changes to all term structures.

Influence on Group's and Bank's Equity is after profit tax rate influence. Increase and reduce of interest rate in basis points was selected taking into consideration that range possibility of interest rate in LTL is higher, and interest rates in EUR and USD are generally at the low level, and large range in the short term should not be in the near future. Influence of interest rates in other currencies is insignificant.

The table represents Group's and Bank's sensitivity to a reasonable possible change in interest rates, with all other variables held constant:

Group	**2009**			**2008**		
Currency	**Interest rate increase / decrease in basis points**	**Impact on profit before taxes**	**Impact on Equity**	**Interest rate increase / decrease in basis points**	**Impact on profit before taxes**	**Impact on Equity**
LTL	+200	(16,288)	(13,030)	+200	557	473
EUR	+50	1,265	1,012	+50	4,110	3,494
USD	+50	1,242	994	+50	(556)	(473)
LTL	-200	16,288	13,030	-200	(557)	(473)
EUR	-50	(1,265)	(1,012)	-50	(4,110)	(3,494)
USD	-50	(1,242)	(994)	-50	556	473

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	2009			2008		
Currency	**Interest rate increase / decrease in basis points**	**Impact on profit before taxes**	**Impact on Equity**	**Interest rate increase / decrease in basis points**	**Impact on profit before taxes**	**Impact on Equity**
LTL	+200	(14,190)	(11,352)	+200	(1,760)	(1,496)
EUR	+50	(439)	(351)	+50	2,124	1,805
USD	+50	445	356	+50	(407)	(346)
LTL	-200	14,190	11,352	-200	1,760	1,496
EUR	-50	439	351	-50	(2,124)	(1,805)
USD	-50	(445)	(356)	-50	407	346

Currency risk

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

Sensitivity analysis of foreign exchange deals

The table represents Group's and Bank's sensitivity analysis of USD and RUB currencies. The Group and the Bank have open position in these currencies so there is a possible future impact on the Statement of Income and Group's and Bank's Equity. The amount of impact was taken according to USD and RUB currencies exchange rate maximum daily changes during the last year.

Group	2009			2008		
Currency	**FX rate change %**	**Impact on P/L before taxes**	**Impact on Equity**	**FX rate change %**	**Impact on P/L before taxes**	**Impact on Equity**
RUB	+5	325	260	+4	106	90
RUB	-5	(325)	(260)	-4	(106)	(90)
USD	+3.6	(692)	(554)	+4	(183)	(156)
USD	-3.6	692	554	-4	183	156

Bank	2009			2008		
Currency	**FX rate change %**	**Impact on P/L before taxes**	**Impact on Equity**	**FX rate change %**	**Impact on P/L before taxes**	**Impact on Equity**
RUB	+5	28	22	+4	(21)	(18)
RUB	-5	(28)	(22)	-4	21	18
USD	+3.6	(654)	(523)	+4	(114)	(97)
USD	-3.6	654	523	-4	114	97

Liquidity Risk

Liquidity risk is the risk that the Group and Bank will be unable to meet its payment obligations associated with its financial liabilities and trade its asset for the relevant price to get funding. Liquidity risk also arises when the Group and Bank are not able to liquidate its market position without significant by lowering market prices. Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Group and the Bank perform daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank follows requirements for the liquidity ratio set by the Board of the Bank of Lithuania. The Bank's liquidity ratio (the ratio between certain liquid assets and liabilities) cannot be lower than 30 %. In 2009 the Bank has outperformed this ratio more than 10 percentage point. The Bank also follows requirements of the required reserves at the Bank of Lithuania.

(LTL thousand)

33. Financial Risk Management (Cont'd)

The liquidity ratio of the Bank during the year was as follows:

	2009, %	2008, %
Average during the period	41.26	43.77
Highest	55.33	57.52
Lowest	32.67	30.11

AS Latvijas Krājbanka maintains the liquidity ratio at least equal to 30 % of total current liabilities which is set as a minimal ratio. The liquidity ratio of AS Latvijas Krājbanka during the year was as follows:

	2009, %	2008, %
Average during the period	46.03	52.15
Highest	55.55	60.83
Lowest	40.64	46.43

AB bank Finasta maintains the liquidity ratio at least equal to 30 % of total current liabilities which is set as a minimal ratio. The liquidity ratio of AB bank Finasta during the year was as follows:

	2009, %
Average during the period	80.47
Highest	95.69
Lowest	53.17

Along with regulatory compliance the Group and the Bank apply internal liquidity management tools. The Group and the Bank sets set of ratios between certain type of liquid assets and liabilities to certain types of customers.

The liquidity risk management instruments include monitoring and evaluation of the current and future cash flows. The Bank gets the main funding from customers deposits (around 80 % of all funding resources). This is the reason the Group and the Bank monitor deposit fluctuation trends, which are used as indicator of depositors' behaviour.

The Group and the Bank have prepared these consolidated financial statements on a going concern basis notwithstanding the fact that they have a significant negative liquidity gap in the "on demand" maturity range of assets and liabilities. The Group's and Bank's management closely monitor and manage the Group's and Bank's liquidity position on a daily basis in accordance with the Group's and Bank's liquidity risk management framework. The negative liquidity gap in "on demand" assets and liabilities as at 31 December 2009 and 2008 is substantially due to significant "on demand" amounts due to customers. According to the past history of the Group and the Bank, customers' deposits are normally held with the Group and the Bank for periods significantly exceeding their stated maturity. The Group and the Bank have considered the risk of being adversely affected by liquidity issues and have taken actions to minimise the negative impact on the Group and the Bank. The Group's and the Bank's ability to avoid adverse changes in their liquidity position is depending on management's effectiveness in the continuing execution of the actions taken.

Contingency liquidity risk relates to the organisation and planning for liquidity management in times of stress. The main objective of Bank's contingency plans is to enable senior management to act effectively and efficiently at times of crisis. The specific liquidity crisis management plan is approved by the Management Board for addressing temporary and long-term liquidity disruptions caused by a general event in the market or Bank specific event. This plan addresses all the issues, responsibilities and actions to be taken once crisis is identified.

(LTL thousand)

33. Financial Risk Management (Cont'd)

The following tables provide an analysis of banking assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date.

Long-term loans and overdraft facilities are generally not available in Lithuania and Latvia except for programs set up by international financial institutions. However, in both marketplaces, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. In addition, the maturity gap analysis does not reflect the historical stability of current accounts. These balances are included in amounts due "on demand" in the tables above. The Group and the Bank have reviewed the historical stability of their current accounts and concluded that half of the balances have the ultimate maturity of more than one year.

The maturity profile of assets and liabilities is determined on the basis of the following criteria:

- Assets are stated according to their remaining period to repayment.
- Assets for which, according to the substance of the transactions, maturity is not defined, or assets whose maturity cannot be precisely determined, are considered to be undated.
- All debt securities within the liquidity portfolio are stated according to their redemption date.
- Liabilities without any defined maturity or with commitments to exercise them on demand are presented under the caption "On demand".
- Loans with undefined maturity include past due loan payments.

The assets, which have been impaired, are stated net of allowance.

Group	***2009***							
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Undefined maturity***	***Total***
Assets:								
Cash and cash equivalents	1,702,664	320,703	27,287	100	-	-	-	2,050,754
Financial assets at fair value through profit or loss	-	17,196	210,389	486,216	223,091	70,202	1,641	1,008,735
Amounts due from credit institutions	-	71,775	110,303	40,377	6,910	-	63	229,428
Held-to-maturity financial assets	-	65,589	8,395	207,746	37,082	1,182	16,799	336,793
Loans to customers	-	714,902	307,669	1,172,945	1,709,022	619,975	320,230	4,844,743
Other assets	2,344	24,722	403	24,074	1,757	29,241	479,351	561,892
	1,705,008	**1,214,887**	**664,446**	**1,931,458**	**1,977,862**	**720,600**	**818,084**	**9,032,345**
Liabilities:								
Due to credit institutions	8,003	143,427	2,119	99,979	-	-	-	253,528
Derivative financial liabilities	-	5,255	74	793	-	-	-	6,122
Debt securities issued	-	404	18,624	426,842	10,061	-	73,939	529,870
Amounts due to customers	2,167,692	1,307,007	1,272,436	2,520,962	110,396	1,226	-	7,379,719
Deferred income tax liabilities	-	-	-	-	-	-	12,787	12,787
Other liabilities	924	4,905	415	1,977	1,016	-	44,350	53,587
Subordinated loans	-	563	73	-	-	194,672	-	195,308
	2,176,619	**1,461,561**	**1,293,741**	**3,050,553**	**121,473**	**195,898**	**131,076**	**8,430,921**
Net position	**(471,611)**	**(246,674)**	**(629,295)**	**(1,119,095)**	**1,856,389**	**524,702**	**687,008**	**601,424**
Accumulated gap	**(471,611)**	**(718,285)**	**(1,347,580)**	**(2,466,675)**	**(610,286)**	**(85,584)**	**601,424**	**-**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Group	*2008*							
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Undefined maturity***	***Total***
Assets:								
Cash and cash equivalents	2,181,325	120,273	36,762	-	-	-	-	2,338,360
Financial assets at fair value through profit or loss	-	17,340	4,710	52,641	49,623	16,090	4,765	145,169
Amounts due from credit institutions	-	51,449	141,010	31,294	487	-	-	224,240
Held-to-maturity financial assets	-	-	31,294	81,097	136,553	4,318	11,985	265,247
Loans to customers	-	659,607	305,999	1,030,266	2,197,789	660,651	98,987	4,953,299
Other assets	5,234	7,745	2,125	149	714	256	509,178	525,401
	2,186,559	**856,414**	**521,900**	**1,195,447**	**2,385,166**	**681,315**	**624,915**	**8,451,716**
Liabilities:								
Due to credit institutions	43,648	64,984	36,928	169,733	2,680	-	716	318,689
Derivative financial liabilities	-	10,084	-	-	4,723	-	-	14,807
Debt securities issued	-	440	-	2,090	591,383	-	-	593,913
Amounts due to customers	2,520,521	1,336,770	1,001,331	1,726,412	157,200	8,234	-	6,750,468
Deferred income tax liabilities	-	-	-	-	-	-	13,133	13,133
Other liabilities	14,397	17,735	2,630	3,810	-	-	24,943	63,515
Subordinated loans	-	1,247	68	-	-	113,101	-	114,416
	2,578,566	**1,431,260**	**1,040,957**	**1,902,045**	**755,986**	**121,335**	**38,792**	**7,868,941**
Net position	**(392,007)**	**(574,846)**	**(519,057)**	**(706,598)**	**1,629,180**	**559,980**	**586,123**	**582,775**
Accumulated gap	**(392,007)**	**(966,853)**	**(1,485,910)**	**(2,192,508)**	**(563,328)**	**(3,348)**	**582,775**	**-**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	***2009***							
	On demand	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***1 to 5 years***	***Over 5 years***	***Undefined maturity***	***Total***
Assets								
Cash and cash equivalents	1,183,141	151,468	21,968	-	-	-	-	1,356,577
Financial assets at fair value through profit or loss	-	929	203,312	479,221	169,527	18,150	142	871,281
Amounts due from credit institutions	-	46,499	94,981	40,365	6,910	-	-	188,755
Held-to-maturity financial assets	-	65,589	-	181,130	16,628	-	16,799	280,146
Loans to customers, net	-	320,179	212,494	881,803	1,253,203	255,320	346,787	3,269,786
Investments in subsidiaries	-	-	-	-	-	-	139,265	139,265
Other assets	2,344	1,418	403	22,395	224	136	209,848	236,768
	1,185,485	**586,082**	**533,158**	**1,604,914**	**1,446,492**	**273,606**	**712,841**	**6,342,578**
Liabilities:								
Due to credit institutions	7,667	86,558	85	84,506	-	-	-	178,816
Derivative financial liabilities	-	311	3	784	-	-	-	1,098
Debt securities issued	-	404	1,363	432,860	11,130	-	73,939	519,696
Amounts due to customers	1,403,742	887,194	910,113	1,717,298	74,631	1,226	-	4,994,204
Deferred income tax liabilities	-	-	-	-	7,442	-	-	7,442
Other liabilities	925	4,905	415	1,977	1,016	-	5,664	14,902
Subordinated loans	-	563	-	-	-	120,848	-	121,411
	1,412,334	**979,935**	**911,979**	**2,237,425**	**94,219**	**122,074**	**79,603**	**5,837,569**
Net position	**(226,849)**	**(393,853)**	**(378,821)**	**(632,511)**	**1,352,273**	**151,532**	**633,238**	**505,009**
Accumulated gap	**(226,849)**	**(620,702)**	**(999,523)**	**(1,632,034)**	**(279,761)**	**(128,229)**	**505,009**	**-**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Bank	*2008*							
	On demand	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Undefined maturity*	*Total*
Assets								
Cash and cash equivalents	1,403,572	98,130	36,762	-	-	-	-	1,538,464
Financial assets at fair value through profit or loss	-	823	4,710	47,578	22,762	15,256	3	91,132
Amounts due from credit institutions	-	46,659	131,291	-	-	-	-	177,950
Held-to-maturity financial assets	-	-	4,586	45,687	100,009	-	11,451	161,733
Loans to customers, net	-	37,732	185,689	937,037	1,743,938	379,994	141,362	3,425,752
Investments in subsidiaries	-	-	-	-	-	-	137,636	137,636
Other assets	4,883	606	2,125	148	714	256	153,252	161,984
	1,408,455	**183,950**	**365,163**	**1,030,450**	**1,867,423**	**395,506**	**443,704**	**5,694,651**
Liabilities:								
Due to credit institutions	109,698	383,803	32,525	87,982	-	-	-	614,008
Derivative financial liabilities	-	788	-	-	-	-	-	788
Debt securities issued	-	-	2,090	-	574,208	-	-	576,298
Amounts due to customers	879,509	1,012,364	755,896	1,169,941	84,703	3,005	-	3,905,418
Deferred income tax liabilities	-	-	-	-	7,913	-	-	7,913
Other liabilities	5,366	8,381	2,630	3,810	-	-	4,626	24,813
Subordinated loans	-	1,237	-	-	-	69,056	-	70,293
	994,573	**1,406,573**	**793,141**	**1,261,733**	**666,824**	**72,061**	**4,626**	**5,199,531**
Net position	**413,882**	**(1,222,623)**	**(427,978)**	**(231,283)**	**1,200,599**	**323,445**	**439,078**	**495,120**
Accumulated gap	**413,882**	**(808,741)**	**(1,236,719)**	**(1,468,002)**	**(267,403)**	**56,042**	**495,120**	**-**

(LTL thousand)

33. Financial Risk Management (Cont'd)

Analysis of financial liabilities by remaining contractual maturities

The table below presents the maturity profile of the Group and Bank financial liabilities by the remaining maturities under agreements. The amounts of the liabilities disclosed in the table are the contractual undiscounted cash flows.

Group

	2009					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to credit institutions	198,053	85	122,438	70,734	-	391,310
Derivative financial instruments	678	4,275	2,590	-	-	7,543
Customer deposits	3,427,682	1,311,883	2,640,196	119,778	5,890	7,505,429
Subordinated debt	902	910	5,426	21,799	262,977	292,014
Debt securities in issue	373	18,574	483,062	-	78,310	580,319
Total undiscounted financial liabilities	**3,627,688**	**1,335,727**	**3,253,712**	**212,311**	**347,177**	**8,776,615**

Group

	2008					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to credit institutions	611,634	33,405	222,722	-	-	867,761
Derivative financial instruments	14,807	-	-	-	-	14,807
Customer deposits	3,987,615	1,119,494	1,900,608	423,560	79,638	7,510,915
Subordinated debt	1,516	748	5,733	21,679	120,437	150,113
Debt securities in issue	-	2,618	37,615	592,070	17,701	650,004
Total undiscounted financial liabilities	**4,615,572**	**1,156,265**	**2,166,678**	**1,037,309**	**217,776**	**9,193,600**

Bank

	2009					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to credit institutions	94,467	85	85,989	-	-	180,541
Derivative financial instruments	207	2	1,932	-	-	2,141
Customer deposits	2,251,284	945,339	1,781,836	86,379	608	5,065,446
Subordinated debt	625	170	2,374	5,535	156,122	164,826
Debt securities in issue	373	1,283	483,062	-	78,310	563,028
Total undiscounted financial liabilities	**2,346,956**	**946,879**	**2,355,193**	**91,914**	**235,040**	**5,975,982**

Bank

	2008					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities						
Due to credit institutions	493,843	32,740	89,209	-	-	615,792
Derivative financial instruments	788	-	-	-	-	788
Customer deposits	2,004,075	869,665	1,375,860	102,549	412	4,352,561
Subordinated debt	1,237	-	3,680	19,626	104,001	128,544
Debt securities in issue	-	2,090	37,615	591,542	-	631,247
Total undiscounted financial liabilities	**2,499,943**	**904,495**	**1,506,364**	**713,717**	**104,413**	**5,728,932**

(LTL thousand)

33. Financial Risk Management (Cont'd)

The tables below show the contractual expiry by maturity of the Group's and the Bank's contingent liabilities and commitments.

Group	*2009*					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Credit commitments	61,852	3,035	56,405	135,576	18,086	274,954
Issued guarantees	10,701	2,386	39,931	4,341	2,101	59,460
Total	**72,553**	**5,421**	**96,336**	**139,917**	**20,187**	**334,414**

Group	*2008*					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Credit commitments	96,008	2,882	46,811	179,658	21,526	346,885
Issued guarantees	45,658	1,578	33,976	1,821	107,672	190,705
Total	**141,666**	**4,460**	**80,787**	**181,479**	**129,198**	**537,590**

Bank	*2009*					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Credit commitments	3,042	3,035	56,405	166,228	19,352	248,062
Issued guarantees	336	2,385	59,287	4,341	2,101	68,450
Total	**3,378**	**5,420**	**115,692**	**170,569**	**21,453**	**316,512**

Bank	*2008*					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Credit commitments	2,189	2,882	46,862	182,272	21,526	255,731
Issued guarantees	1,811	1,578	33,976	1,821	107,672	146,858
Total	**4,000**	**4,460**	**80,838**	**184,093**	**129,198**	**402,589**

Operational risk

Operational risk is the risk of loss resulting from external events (natural disasters, third-party theft and forgery, etc.) and inadequate internal processes (IT system's breakdown, mistakes, and non-compliance with internal procedures).

The Group and the Bank have implemented and are running an operational risk management system, which was improved and renewed in 2007 based on Basel II recommendations and the good practice standards.

In order to ensure the efficiency, control and integrity of the information on the operational risk events the Group and the Bank have created the register of risk-related issues, which was improved by adding electronic risk events reporting mailbox.

One of the most significant means of mitigating exposure on operational risk is insurance. The Group and the Bank insures most aspects of its activities, thus, in general, it does not experience tangible assets losses.

(LTL thousand)

34. Fair Value of Financial Instruments

Table represents breakdown of difference between financial instruments accounting value and fair value by asset groups. Table does not include non-financial position fair value revaluation.

Group	*2009*			*2008*		
	Carrying value	*Fair value*	*Difference*	*Carrying value*	*Fair value*	*Difference*
Financial Assets						
Cash and cash equivalents	2,050,754	2,050,754	-	2,338,360	2,338,360	-
Financial assets at fair value through profit or loss	1,008,735	1,008,735	-	145,169	145,169	-
Amounts due from credit institutions	229,428	229,176	(252)	224,240	224,240	-
Held-to-maturity financial assets	336,793	320,619	(16,174)	265,247	236,416	(28,831)
Loans to customers, net	4,844,743	4,848,281	3,538	4,953,299	4,925,374	(27,925)
Financial liabilities						
Amounts due to credit institutions	253,528	253,528	-	318,689	318,689	-
Derivative financial liabilities	6,122	6,122	-	14,807	14,807	-
Debt securities issued	529,870	508,821	21,049	593,913	329,103	264,810
Amounts due to customers	7,379,719	7,368,836	10,883	6,750,468	6,795,608	(45,140)
Subordinated loans	195,308	195,614	(306)	114,416	113,986	430
Total difference to fair value			**18,738**			**163,344**

Bank	*2009*			*2008*		
	Carrying value	*Fair value*	*Difference*	*Carrying value*	*Fair value*	*Difference*
Financial Assets						
Cash and cash equivalents	1,356,577	1,356,577	-	1,538,464	1,538,464	-
Financial assets at fair value through profit or loss	871,281	871,281	-	91,132	91,132	-
Amounts due from credit institutions	188,755	188,503	(252)	177,950	177,950	-
Held-to-maturity financial assets	280,146	264,663	(15,483)	161,733	138,219	(23,514)
Loans to customers, net	3,269,786	3,276,245	6,459	3,425,752	3,398,736	(27,016)
Financial liabilities						
Amounts due to credit institutions	178,816	178,816	-	614,008	614,008	-
Derivative financial liabilities	1,098	1,098	-	788	788	-
Debt securities issued	519,696	498,647	21,049	576,298	311,488	264,810
Amounts due to customers	4,994,204	4,983,903	10,301	3,905,418	3,952,757	(47,339)
Subordinated loans	121,411	121,411	-	70,293	70,293	-
Total difference to fair value			**22,074**			**166,941**

The estimated fair value of financial instruments is made in accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's and Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument.

The following describes the methodologies and assumptions used to determine the fair value for those financial instruments:

Cash. Represents cash on hand which nominal amount is its fair value.

Balances with the Central Banks. The carrying amount is its fair value as these are current accounts at the Bank of Lithuania and Bank of Latvia.

Financial Assets at Fair Value Through Profit or Loss. The carrying amount is the fair value of such investments.

(LTL thousand)

34. Fair Value Of Financial Instruments (Cont'd)

Amounts Due from and to Credit Institutions. For assets maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For longer-term deposits, due to the re-pricing of assets to the market interest rates, the interest rates applicable approximate market rates and, consequently, the fair value approximate the carrying amounts.

Loans to Customers. The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end.

Amounts Due to Customers. For balances maturing within three months the carrying amount approximates fair value due to the relatively short maturity of these financial instruments. For longer term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Debt securities issued. The fair value is calculated using market rates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active market for identical assets or liabilities;
Level 2: other 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group	***Level 1***		***Level 2***		***Level 3***		***Total***	
	2009	***2008***	***2009***	***2008***	***2009***	***2008***	***2009***	***2008***
Financial assets								
Derivative financial instruments	-	-	-	-	-	-	-	-
Equity linked options	1,123	1,913	-	-	-	-	1,123	1,913
SPOT and Forward foreign exchange contracts	7,254	11,070	15,816	5,050	-	-	23,070	16,120
	8,377	**12,983**	**15,816**	**5,050**	**-**	**-**	**24,193**	**18,033**
Other financial assets held-for-trading	-	-	-	-	-	-	-	-
Debt securities	48,201	43,851	94,282	7,823	-	-	142,483	51,674
Equities	1,640	2,362	-	-	-	-	1,640	2,362
	49,841	**46,213**	**94,282**	**7,823**	**-**	**-**	**144,123**	**54,036**
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Debt securities	840,419	71,278	-	-	-	-	840,419	71,278
Equities	-	1,822	-	-	-	-	-	1,822
	840,419	**73,100**	**-**	**-**	**-**	**-**	**840,419**	**73,100**
	898,637	**132,296**	**110,098**	**12,873**	**-**	**-**	**1,008,735**	**145,169**
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
SPOT and Forward foreign exchange contracts	4,108	8,856	2,014	5,951	-	-	6,122	14,807
	4,108	**8,856**	**2,014**	**5,951**	**-**	**-**	**6,122**	**14,807**

(LTL thousand)

34. Fair Value Of Financial Instruments (Cont'd)

Bank	***Level 1***		***Level 2***		***Level 3***		***Total***	
	2009	***2008***	***2009***	***2008***	***2009***	***2008***	***2009***	***2008***
Financial assets								
Derivative financial instruments	-	-	-	-	-	-	-	-
Equity linked options	1,123	1,913	-	-	-	-	1,123	1,913
Forward foreign exchange contracts	-	-	11,926	823	-	-	11,926	823
	1,123	**1,913**	**11,926**	**823**	**-**	**-**	**13,049**	**2,736**
Other financial assets held-for-trading	-	-	-	-	-	-	-	-
Debt securities	38,657	42,995	82,356	6,956	-	-	121,013	49,951
Equities	141	3	-	-	-	-	141	3
	38,798	**42,998**	**82,356**	**6,956**	**-**	**-**	**121,154**	**49,954**
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Debt securities	737,078	38,442	-	-	-	-	737,078	38,442
	737,078	**38,442**	**-**	**-**	**-**	**-**	**737,078**	**38,442**
	776,999	**83,353**	**94,282**	**7,779**	**-**	**-**	**871,281**	**91,132**
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
Forward foreign exchange contracts	-	-	1,098	788	-	-	1,098	788
	-	**-**	**1,098**	**788**	**-**	**-**	**1,098**	**788**

The Group uses level 1 and level 2 valuation techniques for valuing fair value of financial instruments. No transfers into and from level 3 were observed in 2009 and 2008, thus no level 3 movement table is disclosed.

(LTL thousand)

35. Related Party Transactions

In accordance with IAS 24 "Related Party Disclosures" party is considered to be related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
   (ii) has an interest in the entity that gives it significant influence over the entity; or
   (iii) has joint control over the entity;
(b) the party is an associate (as defined in IAS 28 Investments in Associates) of the entity;
(c) the party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures);
(d) the party is a member of the key management personnel of the entity or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions and their balances in 2009 and 2008 are as follows:

Group	***2009***		***2008***	
	Shareholders	***Key manage-ment personnel****	***Shareholders***	***Key manage-ment personnel****
Loans issued at the beginning of the period, net	9,628	507	9,604	210
Loans issued at the end of the period, net	14,901	4,611	9,628	507
Deposits at the beginning of the period	-	9,998	69	5,590
Deposits at the end of the period	29,528	5,964	-	9,998

** Key management personnel include presidents and vice-presidents of AB Bankas SNORAS and AS Latvijas Krājbanka*

(LTL thousand)

35. Related Party Transactions (Cont'd)

Bank

	2009			2008		
	Share-holders	Subsidia-ries	Key manage-ment personnel*	Share-holders	Subsidia-ries	Key manage-ment personn-el*
Loans issued at the beginning of the period, net	9,628	532,258	2	9,604	281,844	200
Loans issued at the end of the period, net	14,783	518,678	4,603	9,628	532,258	2
Due from banks at the beginning of the period	-	93,786	-	-	21,871	-
Due from at banks at the end of the period	-	19,281	-	-	93,786	-
Due to banks at the beginning of the period	-	417,469	-	-	138	-
Due to banks at the end of the period	-	3,627	-	-	417,469	-
Deposits at the beginning of the period	-	5,089	9,857	69	4,984	5,469
Deposits at the end of the period	2,498	2,247	5,924	-	5,089	9,857
Foreign exchange contracts (nominal value)	-	171,173	-	-	266,344	-
Payment for shares and loans	-	56,040	-	-	-	-

** Key management personnel include presidents and vice-presidents of AB Bankas SNORAS and AS Latvijas Krājbanka*

Interest income and expense on the balances due from/to related parties:

	Group		Bank	
	2009	2008	2009	2008
Interest income	923	656	42,785	35,928
Interest expense	(5,536)	(4,751)	(6,175)	(10,490)

Compensation of key management personnel comprised the following (salaries are shown with the bonuses to the key management):

	Group		Bank	
	2009	2008	2009	2008
Salaries and other short-term benefits	3,517	4,170	1,877	2,523
Social security costs	650	852	581	782
Total key management compensation	**4,167**	**5,022**	**2,458**	**3,305**

As of 31 December 2009 the Bank had subordinated loans from its controlling shareholders and the outstanding amount of these subordinated loans, including accrued interest, amounted to LTL 121,411 thousand (LTL 70,293 thousand in 2008). As of 31 December 2009 the Bank's subsidiary's AS Latvijas Krājbanka Bank had subordinated loans from Bank's controlling shareholder and the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 30,253 thousand (Note 15).

Bank in 2009 bought property from subsidiary company UAB Vilniaus kapitalo vystymo projektai. The amount of transaction was LTL 16,080 thousand.

In May 2009 the Bank sold the part of loan portfolio that involved impaired loans to the Group's subsidiary company Snoro rizikos kapitalo valdymas UAB. The amount of transaction was LTL 55,690 thousand and must be paid till 1 July 2010.

In June 2008 the Bank sold the part of loan portfolio that involved impaired loans to the Group's subsidiary company Snoro rizikos kapitalo valdymas UAB. The amount of transaction was LTL 10,533 thousand.

The Bank in 2009 made an impairment for investment to subsidiary company UAB Vilniaus kapitalo vystymo projektai for amount LTL 3,569 thousand.

As of 31 December 2009 outstanding Group's balances with the banks, related to main shareholder, were equal to LTL 55,212 thousand and LTL 154,354 thousand recorded respectively as amounts due to and due from banks in Group's balance sheet (31 December 2008 – LTL 476,067 thousand and LTL 16,528 thousand recorded respectively as amounts due to and due from banks in Group's balance sheet).

In December 2009 the Bank sold Spyker Cars loans with profit LTL 61,377 to the company related to the main shareholder (Note 26).

On 25 December 2008 UAB Snoro Turto Valdymas sold all shares of Dutch company Spyker Cars N.V for LTL 80,169 thousand (except one preference share) to the company related to the main shareholder (Note 1).

(LTL thousand)

36. Capital Adequacy

The Bank of Lithuania and Latvian Financial and Capital Market Commission (FCMC) require banks in Lithuania and Latvia respectively to maintain a capital adequacy ratio of 8%, computed based on requirements of respective regulator. Additionally, the Bank has agreed with the Bank of Lithuania to maintain a capital adequacy ratio of 10 % (for the Bank only) through 31 December 2009 and 2008, the Group and the Bank were in compliance with the capital adequacy requirements.

Capital adequacy ratios of the Group, the Bank, Latvijas Krājbanka Group and AS Latvijas Krājbanka were as follows (%):

	Group	***Bank***	***Latvijas Krājbanka Group***	***AS Latvijas Krājbanka***	***AB Bankas Finasta***
31 December 2009	10.02	11.23	12.66	12.70	28.75
31 December 2008	10.03	10.13	11.30	11.37	33.92

Capital adequacy ratio calculation summary is presented in the table below:

Capital adequacy calculation, 2009	***Group***	***Bank***
Tier 1 equity items	453,529	463,968
Tier 2 equity items	298,093	220,856
Deductions from capital	(53,551)	(128,351)
Eligible capital	**698,071**	**556,473**
Total capital requirements for credit, counterparty credit and dilution risks and free deliveries	587,310	440,298
Total capital requirements for position, foreign exchange and commodity risks	41,789	17,808
Total capital requirements for operational risks	67,910	37,378
Capital requirements	**697,009**	**495,484**
Capital adequacy ratio	**10.02**	**11.23**

Capital adequacy calculation, 2008	***Group***	***Bank***
Tier 1 equity items	479,909	457,072
Tier 2 equity items	147,625	95,536
Deductions from capital	(27,981)	(120,102)
Eligible capital	**599,553**	**432,506**
Total capital requirements for credit, counterparty credit and dilution risks and free deliveries	531,497	392,385
Total capital requirements for position, foreign exchange and commodity risks	6,709	2,140
Total capital requirements for operational risks	59,553	32,576
Capital requirements	**597,759**	**427,101**
Capital adequacy ratio	**10.03**	**10.13**

The Bank manages its capital structure and makes adjustments to it in the light of changes in risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may adjust the amount of dividends payment to shareholders, return capital to shareholders or issue capital securities.

In 2008 according to requirements of the Bank of Lithuania the Bank and the Group implemented the Internal Capital Adequacy Assessment Process (ICAAP). In accordance with the ICAAP regular and comprehensive analysis of main risks is executed, assessing their risk management and exploring internal capital adequacy.

(LTL thousand)

37. Subsequent events

Following profit appropriation project for AB Bankas SNORAS is presented by the management of the Bank:

	2009
Unappropriated retained earnings at the beginning of the period	16,858
Transfer of revaluation reserve to the retained earnings	30
Current year result	8,690
Unappropriated retained earnings	**25,578**
Distribution:	
To reserve capital for credit risk	(1,998)
To reserve for purchase of own shares	-
To other general reserves	(435)
To pay dividends	-
Undistributed retained earnings carried to next year	**23,145**