AB Bank SNORAS

Consolidated annual report

2010

SNORAS
mano artimas bankas

Akcinė bendrovė bankas SNORAS

ATSAKINGŲ AKCINĖS BENDROVĖS BANKO SNORAS ASMENŲ

PATVIRTINIMAS

Vykdydami LR vertybinių popierių įstatymo 21 str. 2 d. nuostatas patvirtiname, kad AB banko SNORAS metinė konsoliduota finansinė atskaitomybė, sudaryta pagal taikomus buhalterinės apskaitos standartus, atitinka tikrovę ir teisingai parodo AB banko SNORAS ir bendrą konsoliduotų įmonių turtą, įsipareigojimus, finansinę būklę, pelną arba nuostolius, kad konsoliduotame metiniame pranešime yra teisingai nurodyta verslo plėtros ir veiklos apžvalga, AB banko SNORAS ir bendra konsoliduotų įmonių būklė kartu su pagrindinių rizikų ir neapibrėžtumų, su kuriais susiduriama, aprašymu.

Valdybos pirmininkas
Banko Prezidentas — Raimondas Baranauskas

Vyriausioji finansininkė — Jurgita Bliumin

AB bankas SNORAS
A.Vivulskio g. 7
LT-03221 Vilnius

Tel.: (8 5) 239 2239
8 800 27272
Faks.: (8 5) 232 7300

El.p.: info@snoras.lt
Interneto adresas http://www.snoras.lt
Teleksas (64) 61 23 87 snora ru
Sprint: snoras/dunsoft
Banko BIC/SWIFT kodas: SNORLT22

Banko kodas: 00758
Įmonės reg. kodas 112025973
PVM mokėtojo kodas LT120259716
Registro tvarkytojas - VĮ Registrų centras

CONTENTS

1. THE PERIOD REVIEWED IN THE ANNUAL REPORT ... 3
2. THE ISSUER AND ITS CONTACT INFORMATION ... 3
3. THE COMPOSITION OF THE GROUP ... 3
4. THE NATURE OF THE ISSUER'S MAIN ACTIVITY ... 10
5. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES ... 10
6. DATA CONCERNING THE TRADING IN ISSUER'S SECURITIES AT THE REGULATED MARKETS ... 10
7. THE NUMBER AND NOMINAL PRICE OF THE SHARES BELONGING TO THE BANK AND ITS SUBSIDIARIES ... 12
8. OBJECTIVE REVIEW OF THE BANK'S STATUS, PERFORMANCE AND DEVELOPMENT, DESCRIPTION OF MAIN RISK TYPES ... 15
9. THE MAIN ASPECTS OF AB BANK SNORAS GROUP INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO FORMATION OF CONSOLIDATED FINANCIAL REPORTS ... 16
10. INFORMATION ABOUT THE INTERNAL CONTROL SYSTEM OF THE BANK ... 17
11. ANALYSIS OF FINANCIAL AND NON-FINANCIAL RESULTS OF THE ACTIVITY ... 18
12. REFERENCES AND ADDITIONAL EXPLANATIONS OF THE DATA PROVIDED IN THE ANNUAL FINANCIAL ACCOUNTS ... 19
13. INFORMATION ABOUT ONE'S OBTAINED AND TRANSFERRED SHARES ... 19
14. INFORMATION ABOUT THE BANK'S BRANCHES AND REPRESENTATIVE OFFICES ... 19
15. SIGNIFICANT EVENTS THAT HAVE TAKEN PLACE SINCE THE END OF THE REPORTING PERIOD ... 20
16. INFORMATION ABOUT THE COMPANY PLANS, DEVELOPMENT AND FORECASTS ... 20
17. DESCRIPTION OF THE MAIN INVESTMENTS MADE DURING THE REPORTING PERIOD ... 21
18. THE SHAREHOLDERS' MUTUAL AGREEMENTS ABOUT WHICH THE ISSUER KNOWS AND DUE TO WHICH THE SECURITIES TRANSFER AND (OR) VOTING RIGHTS CAN BE RESTRICTED ... 21
19. SIGNIFICANT AGREEMENTS WHOSE PARTY IS THE ISSUER AND WHICH WOULD COME INTO FORCE, WOULD CHANGE OR TERMINATE IF THE ISSUER'S CONTROL CHANGES ... 21
20. THE STRUCTURE OF THE AUTHORIZED CAPITAL ... 21
21. THE RIGHTS AND THE RIGHTS OF PRE-EMPTION GRANTED BY EACH CLASS OF THE AVAILABLE SHARES AS WELL AS THE LIMITS SET FOR THEM ... 22
22. DESCRIPTION OF THE RESTRICTIONS FOR FREE DISPOSAL OF SECURITIES ... 23
23. SHAREHOLDERS ... 23
24. NUMBER OF EMPLOYEES AT THE END OF THE TERMS ... 24
25. ALL AGREEMENTS OF THE ISSUER AND EMPLOYEES, PROVIDING FOR COMPENSATION, IF THEY RESIGNED OR WERE DISMISSED WITHOUT A VALID REASON OR IF THEIR WORK ENDED DUE TO THE CHANGE OF THE ISSUER'S CONTROL ... 25
26. THE ORDER OF AMENDMENTS OF THE BANK'S ARTICLES OF ASSOCIATION ... 25
27. THE ORGANS OF THE BANK AND THEIR AUTHORITY ... 25
28. INFORMATION ABOUT THE ISSUER'S COLLEGIAL AUTHORITIES MEMBERS, HEAD OF THE COMPANY, THE CHIEF ACCOUNTANT ... 28
29. DATA ON THE MEMBERS OF THE COMMITTEES ESTABLISHED IN THE BANK ... 31
30. INFORMATION CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES ... 33
31. DATA ON INFORMATION THAT IS SUBJECT TO PUBLIC DISCLOSUREDATA ON INFORMATION THAT IS SUBJECT TO PUBLIC DISCLOSURE ... 52
32. TRANSACTIONS WITH THE BANK RELATED PERSONS ... 54

1. THE PERIOD REVIEWED IN THE ANNUAL REPORT

The report covers the year 2010, all the figures are provided as of December 31, 2010 unless otherwise is stated. Public limited liability company Bank SNORAS can be referred to as the Bank or the Issuer herein as well.

2. THE ISSUER AND ITS CONTACT INFORMATION

Name of the Issuer:	Public limited liability company Bank SNORAS
Legal organisational form:	Public limited liability company
Registration date and place:	17 March 1992, the Bank of Lithuania
Company (register) code:	112025973
Legal address:	A. Vivulskio str. 7, LT-03221 Vilnius
Authorized capital:	494 217 107 Litas
Phone numbers:	(8 5) 239 22 39
Fax numbers:	(8 5) 232 73 00
E-mail address:	info@snoras.com
Website:	www.snoras.com

3. THE COMPOSITION OF THE GROUP

Name:	UAB „SNORO lizingas“
Legal organisational form:	Private limited liability company
Registration date and place:	30 April 1999, Register of Legal Persons
Company (register) code:	124926897
Physical address:	Lvovo str. 25, LT-09320 Vilnius
Legal address:	A. Goštauto str. 40A, LT-01112 Vilnius
Phone numbers:	(8 700) 55 888
Fax numbers:	(8 5) 249 76 76
E-mail address:	info@sl.lt
Website:	www.sl.lt
Main activity:	Consumption financing
Name:	UAB „SNORAS Development“
Legal organisational form:	Private limited liability company
Registration date and place:	17 November 2000, Register of Legal Persons
Company (register) code:	125427865
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Phone numbers:	(8 5) 262 22 26
Fax numbers:	(8 5) 262 22 26
E-mail address:	info@vkvp.lt
Website:	www.vkvp.lt
Main activity:	Purchase, sale and development of personal real estate
Name:	UAB „SNORAS Investment Management“
Legal organisational form:	Private limited liability company
Registration date and place:	18 December 2003, Register of Legal Persons
Company (register) code:	126403753
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Phone numbers:	(8 5) 232 70 73
Main activity:	Risk capital management
Name:	AB „Finasta Holding“
Legal organisational form:	Public limited liability company
Registration date and place:	14 February 2005, Register of Legal Persons
Company (register) code:	300088576
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Phone numbers:	(8 5) 275 27 56
Main activity:	Financial activity

Name:	UAB „SNORO valda“
Legal organisational form:	Private limited liability company
Registration date and place:	25 November 2008, Register of Legal Persons
Company (register) code:	302250518
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Phone numbers:	(8 5) 275 27 56
Main activity:	Operational maintenance and administration of real estate
Name:	UAB „SNORAS Media“
Legal organisational form:	Private limited liability company
Registration date and place:	16 June 2009, Register of Legal Persons
Company (register) code:	302386258
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Main activity:	Investment activity
Name:	AS „Latvijas Krajbanka“
Legal organisational form:	Public limited liability company
Registration date and place:	2 January 1924, Register of Latvian Companies
Company (register) code:	40003098527
Legal address:	Jana Dalina str. 15, LV-1013 Riga, Latvia
Phone numbers:	+371 670 92020
Fax numbers:	+371 670 92070
E-mail address:	info@lkb.lv
Website:	www.lkb.lv
Main activity:	Banking activity
Name:	OU "Real Estate Investment Management"
Legal organisational form:	Private limited liability company
Registration date and place:	26 July 2010, Register of Estonian Companies
Company (register) code:	11960186
Legal address:	Tartu str. 53, Tallinn, Estonia
Main activity:	Purchase and sale of personal real estate
Name:	UAB „Dieveris“
Legal organisational form:	Private limited liability company
Registration date and place:	17 June 1997, Register of Legal Persons
Company (register) code:	124090288
Legal address:	A.Vivulskio str. 7, LT-03221 Vilnius
Main activity:	Real estate lease
Name:	SIA “LKB Līzings”
Legal organisational form:	Private limited liability company
Registration date and place:	9 January 2007, Register of Latvian Companies
Company (register) code:	40003887450
Legal address:	Jēkaba str.2, LV-1050 Riga, Latvia
Phone numbers:	+371 670 68092
E-mail address:	lizings@lkb.lv
Website:	www.lkblizings.lv
Main activity:	Consumption financing
Name:	SIA “Krājinvestīcijas”
Legal organisational form:	Private limited liability company
Registration date and place:	30 June 2004, Register of Latvian Companies
Company (register) code:	40003687374
Legal address:	Jēkaba str. 15, LV-1050 Riga, Latvia
Phone numbers:	+371 673 59208
Fax numbers:	+371 673 59215
Main activity:	Real estate trading and management

Name:	AAS „LKB LIFE“
Legal organisational form:	Public limited liability company
Registration date and place:	10 February 1992, Register of Latvian Companies
Company (register) code:	40003053851
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Phone numbers:	+371 670 92757
Fax numbers:	+371 673 62383
E-mail address:	info@lkblife.lv
Website:	www.lkblife.lv
Main activity:	Insurance company
Name:	SIA „LKB Drošība”
Legal organisational form:	Private limited liability company
Registration date and place:	7 July 2008, Register of Latvian Companies
Company (register) code:	40103179152
Legal address:	Ekaba 2, Riga, Latvia
Main activity:	Collection services
Name:	AS IBS „Renesource Capital“
Legal organisational form:	Public limited liability company
Registration date and place:	23 October 1998, Register of Latvian Companies
Company (register) code:	40003415571
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Phone numbers:	+371 670 92737
Fax numbers:	+371 671 77510
E-mail address:	support@renesource.com
Website:	www.renesource.com
Main activity:	Financial mediation
Name:	SIA „LKB M&A”
Legal organisational form:	Private limited liability company
Registration date and place:	6 October 2009, Register of Latvian Companies
Company (register) code:	40103185252
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Main activity:	Debt administration
Name:	SIA „LKB Rīgas īpašumi”
Legal organisational form:	Private limited liability company
Registration date:	21 May 2010, Register of Latvian Companies
Company (register) code:	40103293725
Legal address:	Jēkaba str. 2, LV-1050 Riga, Latvia
Phone numbers:	+371 670 98089
Fax numbers:	+371 670 92000
Main activity:	Real estate management
Name:	SIA „LKB property”
Legal organisational form:	Private limited liability company
Registration date:	21 May 2010, Register of Latvian Companies
Company (register) code:	40103293763
Legal address:	Jēkaba str. 2, LV-1050 Riga, Latvia
Phone numbers:	+371 670 98089
Fax numbers:	+371 670 92000
Main activity:	Real estate management
Name:	SIA „Jēkaba 2”
Legal organisational form:	Private limited liability company
Registration date:	21 May 2010, Register of Latvian Companies

Company (register) code:	40103293621
Legal address:	Jēkaba str. 2, LV-1050 Riga, Latvia
Phone numbers:	+371 670 98089
Fax numbers:	+371 670 92000
Main activity:	Real estate management
Name:	SIA „Brīvības 38”
Legal organisational form:	Private limited liability company
Registration date:	20 May 2010, Register of Latvian Companies
Company (register) code:	40103293246
Legal address:	Jēkaba str. 2, LV-1050 Riga, Latvia
Phone numbers:	+371 670 98089
Fax numbers:	+371 670 92000
Main activity:	Real estate management
Name:	UAB „SNORAS distressed assets”
Legal organisational form:	Private limited liability company
Registration date and place:	16 November 2007, Register of Legal Persons
Company (register) code:	301270560
Legal address:	A. Goštauto str. 40A, LT-01112 Vilnius
Phone numbers:	(8 5) 232 7153
Fax numbers:	(8 5) 232 7364
Main activity:	Debt administration
Name:	AB FMĮ „Finasta“
Legal organisational form:	Public limited liability company of financial brokerage
Registration date:	21 January 1994, Register of Legal Persons
Company (register) code:	122570630
Legal address:	Maironio str. 11, Vilnius
Phone numbers:	(8 5) 278 6833
Fax numbers:	(8 5) 278 6838
E-mail address:	info@finasta.lt
Website:	www.finasta.lt
Main activity:	Financial mediation
Name:	UAB „Finasta Asset Management“
Legal organisational form:	Private limited liability company
Registration date:	21 July 2003, Register of Legal Persons
Company (register) code:	126263073
Legal address:	Maironio str. 11, Vilnius
Phone numbers:	(8 5) 273 2928
Fax numbers:	(8 5) 203 2244
E-mail address:	info@finasta.lt
Website:	www.finasta.lt
Main activity:	Investment and pension funds management
Name:	IPAS „Finasta Asset Management Latvia“
Legal organisational form:	Public limited liability company
Registration date:	1 September 1998, Register of Latvian Companies
Company (register) code:	40003408014
Legal address:	Mukusalas str. 45/47, Riga, Latvia
Phone numbers:	+371 67 503 100
Fax numbers:	+371 67 503 099
E-mail address:	info@finasta.lv
Website:	www.finasta.lv
Main activity:	Investment and pension funds management

Name:	ZAO „Finasta“
Legal organisational form:	Private limited liability company
Registration date:	9 August 2001
Company (register) code:	1027739034542
Legal address:	Bolshoy Kislovsky skg. 9, Moscow, Russian Federation
Phone numbers:	+7 495 411 68 11 (2735)
Fax numbers:	+7 495 411 68 11 (2677)
Main activity:	Financial activity
Name:	AB „Finasta Corporate Finance“
Legal organisational form:	Public limited liability company
Registration date:	12 November 2009, Register of Legal Persons
Company (register) code:	300587351
Legal address:	Maironio str. 11, Vilnius
Phone numbers:	(8 5) 236 1880
Fax numbers:	(8 5) 210 2474
E-mail address:	imoniufinansai@finasta.lt
Website:	www.finasta.lt
Main activity:	Investment banking services
Name:	AB Bank "Finasta"
Legal organisational form:	Public limited liability company
Registration date:	2 January 2008, Register of Legal Persons
Company (register) code:	301502699
Legal address:	Maironio str. 11, Vilnius
Phone numbers:	(8 5) 203 2233
Fax numbers:	(8 5) 203 2244
Website:	www.finasta.lt
Main activity:	Banking activity
Name:	IPAS „Finasta Asset Management"
Legal organisational form:	Public limited liability company
Registration date and place:	2 October 2006, Register of Latvian Companies
Company (register) code:	40003605043
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Phone numbers:	+371 670 92988
Fax numbers:	+371 670 92850
E-mail address:	fondi@lkb.lv
Main activity:	Funds management
Name:	AS „LKB Assets Management“
Legal organisational form:	Public limited liability company
Registration date and place:	11 April 2006, Register of Latvian Companies
Company (register) code:	40003818124
Legal address:	Jāņa Daliņa str. 15, LV-1013 Riga, Latvia
Phone numbers:	+371 673 59207
Fax numbers:	+371 670 92850
E-mail address:	fondi@lkb.lv
Main activity:	Funds management
Name:	Finasta Direct Investments (HK) Limited
Legal organisational form:	Private limited liability company
Legal address:	Kosmodamianskaya nab. 52/4, Moscow, Russian Federation
Main activity:	Financial activity
Name:	UAB „Nekilnojamojo turto gama“
Legal organisational form:	Private limited liability company
Registration date:	17 October 2008, Register of Legal Persons

Company (register) code:	126346081
Legal address:	Lvovo str.25, Vilnius
Phone numbers:	(8 5) 278 0302
Fax numbers:	(8 5) 278 0303
E-mail address:	info@ntgama.lt
Website:	www.vvu.lt
Main activity:	Real estate development and lease
Name:	UAB „Stelita“
Legal organisational form:	Private limited liability company
Registration date:	12 January 2009, Register of Legal Persons
Company (register) code:	301674567
Legal address:	Lvovo str.25, Vilnius
Main activity:	Real estate development and lease
Name:	UAB „NT Panorama“
Legal organisational form:	Private limited liability company
Registration date:	27 July 2007, Register of Legal Persons
Company (register) code:	300956617
Legal address:	Žvejų str.14A, Vilnius
Phone numbers:	(8 5) 278 0306
Main activity:	Real estate development and lease
Name:	AS “Pirmais Atklātais Pensiju Fonds”
Legal organisational form:	Public limited liability company
Registration date:	4 February 1998, Register of Latvian Companies
Company (register) code:	40003377918
Legal address:	Kr. Valdemara 76-1A, LV-1013 Riga, Latvia
Phone numbers:	+371 673 59199
Fax numbers:	+371 673 59198
Main activity:	Funds management


AB bankas SNORAS
UAB SNORO lizingas
UAB SNORAS Investment Management
UAB SNORAS Development
AB Finasta Holding
OU Real estate investment management
AS Latvijas Krajbanka
UAB SNORAS Media
UAB SNORO valda
UAB Dieveris
UAB SNORAS distressed assets
UAB NT Panorama
UAB Stelita
UAB Nekilnojamojo turto gama
AB bankas Finasta
AB Finasta Corporate Finance
IPAS Finasta Asset Management Latvia
UAB Finasta Asset Management
ZAO Finasta
AB FMĮ Finasta
AS LKB Asset Management
IPAS Finasta Asset Management
Finasta Direct Investments (HK) Limited
AS Pirmais Atklātais Pensiju Fonds
SIA Brīvības 38
SIA Jēkaba 2
SIA LKB property
SIA LKB Rīgas īpašumi
SIA LKB M&A
AS IBS Renesource Capital
SIA LKB Drošība
AAS LKB LIFE
SIA Krājinvestīcijas
SIA LKB Līzings

4. THE NATURE OF THE ISSUER'S MAIN ACTIVITY

Bank and its subsidiaries offer customers (both legal and natural persons) licensed and unlicensed financial services: accept deposits and other returnable funds from non-professional market participants (accumulative deposits in litas and foreign currencies, time deposits or deposits with blank date in litas and foreign currencies), perform wire-transfers (open customers bank accounts in litas and foreign currencies to accept and deposit funds, execute customer money orders for local and international settlements or withdrawals, perform other transactions on customer accounts), offer customers mortgages, favorable mortgages, consumer loans, grant companies loans for business projects or working capital, provide suretyships and guarantees, issue and maintain international payment cards Visa, Visa Electron, Eurocard/MasterCard, Maestro, deliver money market instruments (checks, bills of exchange etc.) issue and support services, trade currency, offer currency (cash) exchange, cash transactions, safe custody services (rental of safes), securities accounting and financial brokerage, leasing products, factoring, investment, assets management and other services.

Retail banking is a strong side of Public limited liability company Bank SNORAS. AB Bank SNORAS has the most extensive and advanced customer service network in Lithuania consisting of 254 outlets. The network includes 12 regional branches, operating in each county of Lithuania, Estonia and Latvia, 14 branch outlets and 230 mini-banks operating in the country. The Bank runs 339 ATMs.

5. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

At the end of the reporting period, AB bank SNORAS concluded bonds fiduciary agreements with AB FMĮ Finasta, AB bank Finasta has an agreement with AB "Šiaulių bankas".

Operations Department of Public limited liability company Bank SNORAS performs the Bank's securities accounting in the Money Markets and Securities Accounting Unit.

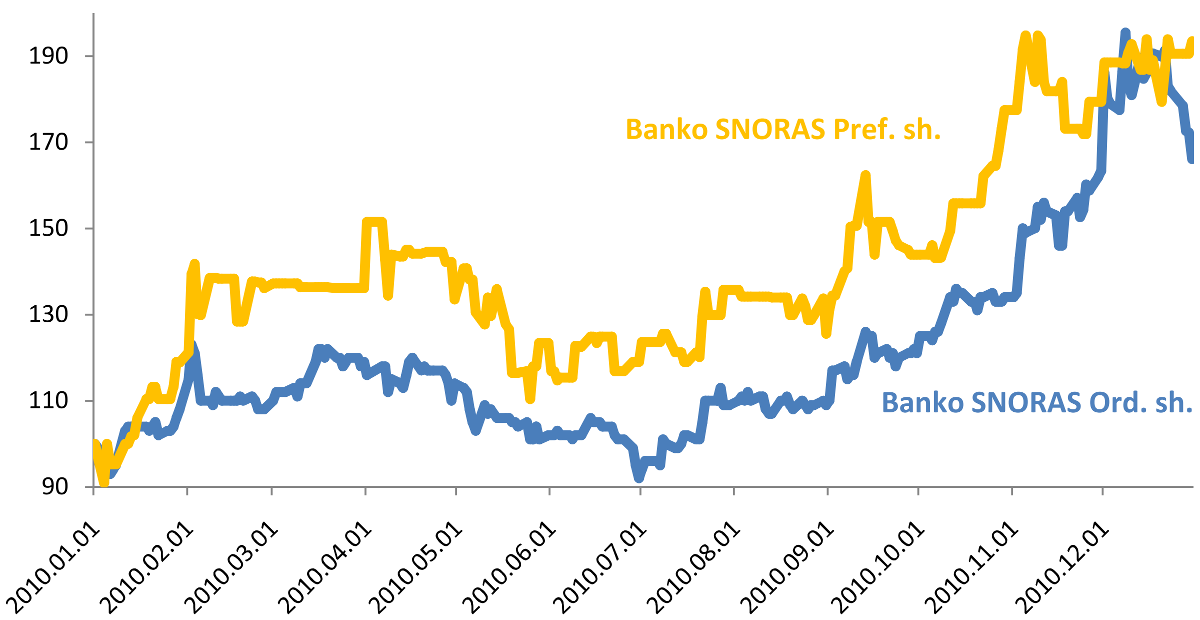
6. DATA CONCERNING THE TRADING IN ISSUER'S SECURITIES AT THE REGULATED MARKETS

Ordinary and preferred registered shares as well as bonds of the Public limited liability company Bank SNORAS are traded on NASDAQ OMX Vilnius Stock Exchange.

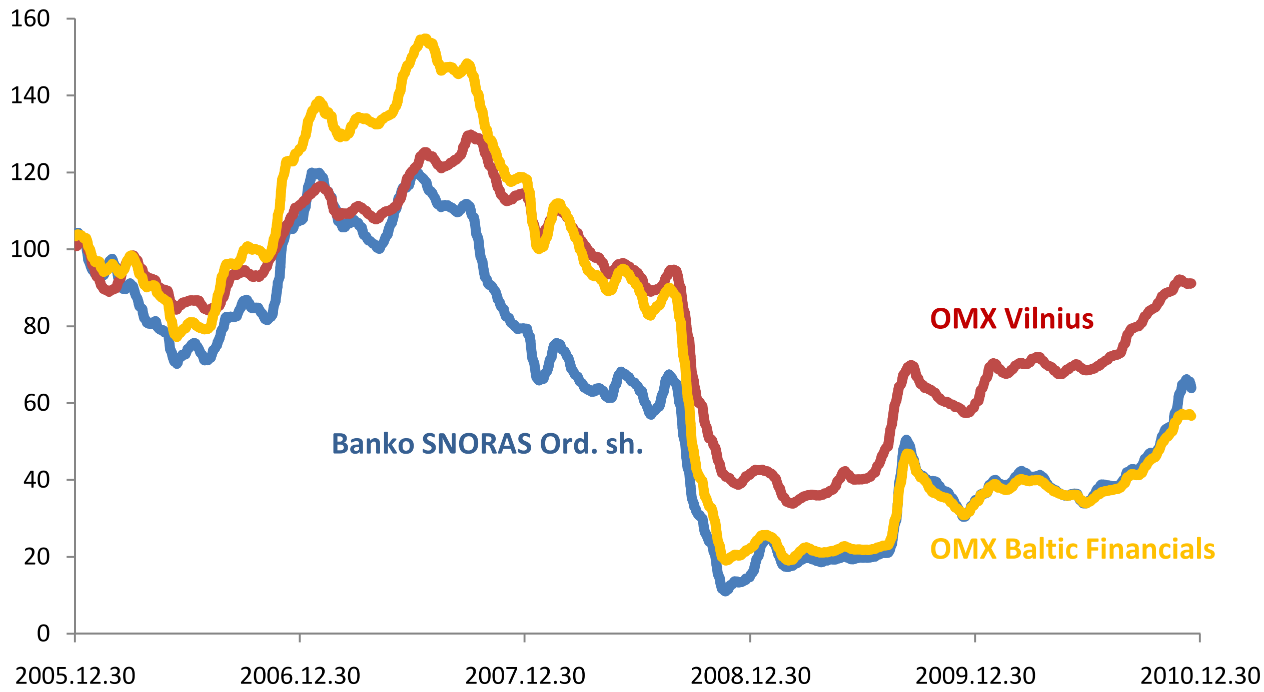
474 217 107 ordinary registered shares (each of LTL 1.00 nominal value) of the Bank were listed in the additional trading list, as well as 2 000 000 preferred registered shares (each of LTL 10 nominal value) of the Bank; the total nominal value of all the ordinary registered shares on the additional trading list was LTL 494 217 107.

Ordinary and preferred registered shares of the AS „Latvijas Krajbanka" are traded on NASDAQ OMX Riga Stock Exchange. 25 821 414 ordinary registered shares (each of LVL 1.00 nominal value) of the AS „Latvijas Krajbanka" were listed in the additional trading list, as well as 2 834 preferred registered shares (each of LVL 1.00 nominal value) of the „Latvijas Krajbanka", and the total nominal value of all the shares listed in the additional trading list is LVL 25 824 248.

The changes of the ordinary and preferred registered shares of the Public Limited Liability Company Bank SNORAS in 2010, per cent

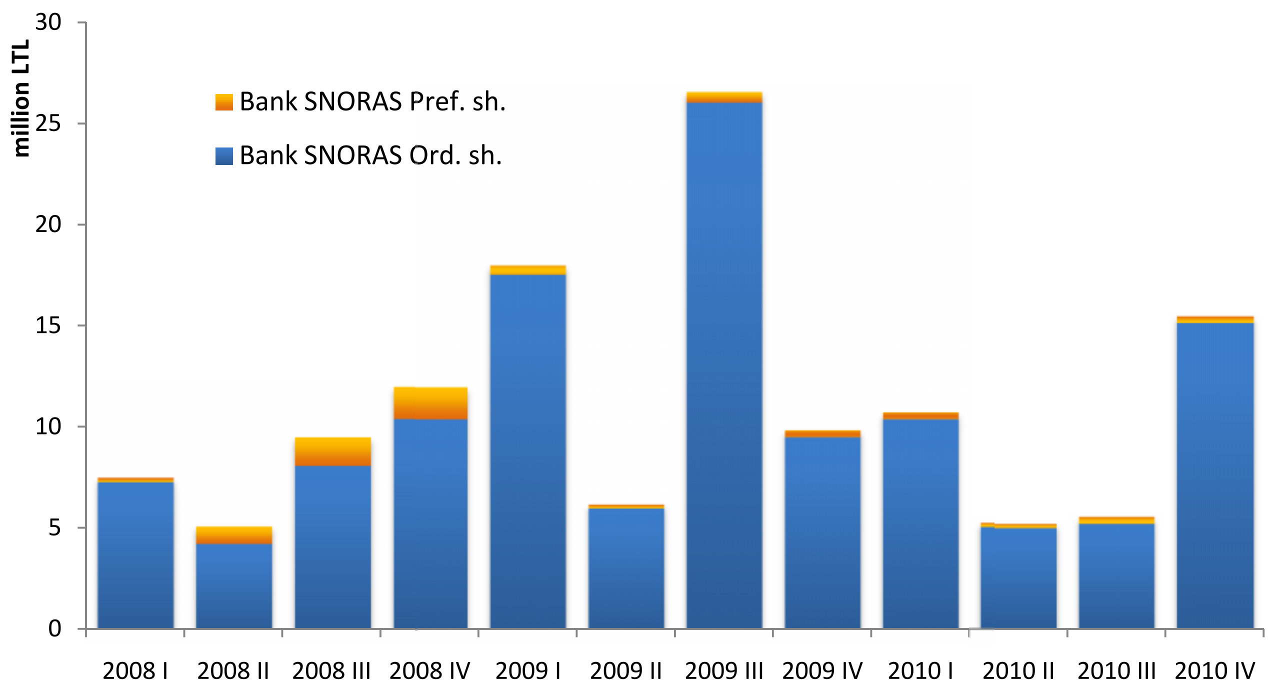


Five-year comparison of the price change* of the Public Limited Liability Company Bank SNORAS registered ordinary shares with OMX Baltic Financials GI and changes of OMX Vilnius indexes, per cent



* The price of Bank SNORAS shares was corrected considering the capital increases from the company's funds.

The quarterly turnover of three-year shares of the Public Limited Liability Company Bank SNORAS



7. THE NUMBER AND NOMINAL PRICE OF THE SHARES BELONGING TO THE BANK AND ITS SUBSIDIARIES

7.1. The types and classes of the shares belonging to the Public limited liability company Bank SNORAS, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	UAB „SNORO lizingas" ordinary share
Number of shares, (items):	100
Nominal value of one share, (LTL):	50 000
Number of votes at meeting, (%):	100.00
Name of the securities:	UAB „SNORAS Development" ordinary share
Number of shares, (items):	35 695
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	50.001
Name of the securities:	UAB „SNORAS Investment Management" ordinary share
	10 000
Number of shares, (items):	100
Nominal value of one share, (LTL):	100.00
Number of votes at meeting, (%):	
Name of the securities:	AB „Finasta Holding" ordinary share
Number of shares, (items):	60 000
Nominal value of one share, (LTL):	10
Number of votes at meeting, (%):	100.00
Name of the securities:	UAB „SNORO valda" ordinary share
Number of shares, (items):	100
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	100.00
Name of the securities:	UAB „SNORAS Media" ordinary share
Number of shares, (items):	1 000
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	100.00
Name of the securities:	AS „Latvijas Krajbanka" ordinary bearer share
Number of shares, (items):	22 937 008
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	88.83
Name of the securities:	OU "Real Estate Investment Management"
Number of shares, (items):	340
Nominal value of one share, (EEK):	100
Number of votes at meeting, (%):	85.00
Name of the securities:	UAB "Dieveris"
Number of shares, (items):	40 000
Nominal value of one share, (LTL):	1
Number of votes at meeting, (%):	100.00

7.2. The type and class of the shares belonging to AS Latvijas Krajbanka, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	SIA „LKB Līzings" ordinary share
Number of shares, (items):	1 200
Nominal value of one share, (LVL):	100
Number of votes at meeting, (%):	100.00
Name of the securities:	SIA „Krājinvestīcijas" ordinary share
Number of shares, (items):	80 630
Nominal value of one share, (LVL):	100

Number of votes at meeting, (%):	100.00
Name of the securities:	AAS „LKB LIFE" ordinary share
Number of shares, (items):	2 511 895
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	99.79
Name of the securities:	SIA „LKB **Drošība"** ordinary share
Number of shares, (items):	100
Nominal value of one share, (LVL):	100
Number of votes at meeting, (%):	100.00
Name of the securities:	AS IBS „Renesource Capital" ordinary share
Number of shares, (items):	553 216
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	100.00
Name of the securities:	SIA „LKB M&A" ordinary share
Number of shares, (items):	100
Nominal value of one share, (LVL):	100
Number of votes at meeting, (%):	100.00
Name of the securities:	SIA „LKB Rīgas īpašumi" ordinary share
Number of shares, (items):	118 950
Nominal value of one share, (LVL):	20
Number of votes at meeting, (%):	100.00
Name of the securities:	SIA „LKB property"
Number of shares, (items):	227 200
Nominal value of one share, (LVL):	20
Number of votes at meeting, (%):	100.00
Name of the securities:	SIA „Jēkaba 2"
Number of shares, (items):	132 250
Nominal value of one share, (LVL):	20
Number of votes at meeting, (%):	100.00
Name of the securities:	SIA „Brīvības 38"
Number of shares, (items):	75 400
Nominal value of one share, (LVL):	20
Number of votes at meeting, (%):	100.00

7.3. The type and class of the shares belonging to SNORO Lizingas UAB, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	UAB „SNORAS distressed assets" ordinary share
Number of shares, (items):	12 000
Nominal value of one share, (LTL):	1 000
Number of votes at meeting, (%):	100.00

7.4. The type and class of the shares belonging to AB "Finasta Holding", the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders' meetings:

Name of the securities:	AB FMĮ „Finasta" ordinary share
Number of shares, (items):	57 500
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	100.00
Name of the securities:	UAB „Finasta Asset Management" ordinary share
Number of shares, (items):	8 440 000
Nominal value of one share, (LTL):	1
Number of votes at meeting, (%):	100.00

Name of the securities:	IPAS „Finasta Asset Management Latvia“ ordinary share
Number of shares, (items):	150
Nominal value of one share, (LVL):	1 000
Number of votes at meeting, (%):	100.00
Name of the securities:	ZAO „Finasta” ordinary share
Number of shares, (items):	54 989
Nominal value of one share, (RUB):	1 000
Number of votes at meeting, (%):	99.98
Name of the securities:	AB „Finasta Corporate Finance“ ordinary share
Number of shares, (items):	1 500
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	100.00
Name of the securities:	AB bankas "Finasta" ordinary share
Number of shares, (items):	2 800 000
Nominal value of one share, (LTL):	10
Number of votes at meeting, (%):	100.00
Name of the securities:	IPAS „Finasta Asset Management" ordinary share
Number of shares, (items):	240 000
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	100.00
Name of the securities:	AS „LKB Assets Management“ ordinary share
Number of shares, (items):	120 000
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	100.00
Name of the securities:	Finasta Direct Investments (HK) Limited paprastoji akcija
Number of shares, (items):	6 700
Nominal value of one share, (HKD):	1
Number of votes at meeting, (%):	67.00

7.5. The type and class of the shares belonging to UAB "SNORAS Investment Management", the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders’ meetings:

Name of the securities:	UAB „Nekilnojamojo turto gama“ ordinary share
Number of shares, (items):	51
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	51.00
Name of the securities:	UAB „Stelita“ ordinary share
Number of shares, (items):	1 020
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	51.00
Name of the securities:	UAB „NT Panorama“ ordinary share
Number of shares, (items):	31 314
Nominal value of one share, (LTL):	100
Number of votes at meeting, (%):	51.00

7.6. The type and class of the shares belonging to AB Bank Finasta, the number and nominal value of the shares, the percentage of the votes of these companies at the general shareholders’ meetings:

Name of the securities:	AS “Pirmais Atklātais Pensiju Fonds” ordinary share
Number of shares, (items):	250 000
Nominal value of one share, (LVL):	1
Number of votes at meeting, (%):	100.00

8. OBJECTIVE REVIEW OF THE BANK'S STATUS, PERFORMANCE AND DEVELOPMENT, DESCRIPTION OF MAIN RISK TYPES

Public Limited Liability Company Bank SNORAS, established as Šiauliai regional bank in 1992, was renamed as AB Bankas SNORAS in 1993. After eighteen years of activity SNORAS became one of the largest Lithuanian banks. Having the widest and the most modern territorial customer service network in the country – ten regional branches of the bank, fourteen branch outlets, 230 territorial units and 339 ATM machines, Public limited liability company Bank SNORAS successfully consolidates its positions in the Lithuanian retail banking market and it implements an active expansion strategy in the member states of the European Union.

The trends of the main strategic activity of Public limited liability company Bank SNORAS:

- Retail and corporate banking;
- Expansion of services in the companies of the bank's group;
- Investment banking and corporate finances.

Public limited liability company Bank SNORAS has branches in Estonia and Latvia as well as representative offices in Great Britain, in the Kingdom of Belgium, Czech Republic, Ukraine, and Belarus. Bank SNORAS owns the controlling block of shares of Latvijas Krajbanka – the oldest Latvian bank with the largest network.

Public Limited Liability Company Bank SNORAS manages nine subsidiary companies: UAB "SNORO Lizingas", UAB "SNORO Investment Management", AB "Finasta Holding", UAB "SNORAS Media", UAB "SNORAS Development", UAB "SNORO valda", OU "Real Estate Investment Management", UAB "Dieveris" and AS "Latvijas Krajbanka" which provide Lithuanian and Baltic market participants with real estate management, constructions and renovation, money, leasing and securities funds management services as well as real estate operational supervision and administration.

Public Limited Liability Company Bank SNORAS is the third bank in Lithuania according to the attracted deposits and the fifth bank according to the managed assets. Almost 1.2 million clients use the bank's services. The slogan "My closest bank" reflects Bank SNORAS endeavour to become close to every customer.

In 2010 Bank SNORAS was successfully entrenching in its leading position on the retail banking market in Lithuania.

Within this year, the Bank assets grew by 20.7 per cent and on 31 December comprised LTL 7.66 billion; the granted loans grew by 29.1 per cent and amounted to LTL 4.22 billion; the deposit amount increased by 27.1 per cent and stood at LTL 6.35 billion. The shareholders' property grew by 18.3 per cent since the beginning of the year and comprised LTL 597.25 million.

The net interest income comprised LTL 81.1 million, i.e. grew by more than 20 times. The net income of the services and commission fees increased by 1.44 times and amounted to LTL 81.50 million. The operational expenditures were reduced by almost 6 per cent.

ROE of the Bank reached 1.70%, ROA of the Bank reached 0.13%.

The Bank complied with all prudential requirements which on 31 December 2010 stood at:

➔ The adequacy ratio of the Bank's capital was 10.61 per cent.
➔ The liquidity ratio of the Bank was 48.39 per cent.
➔ Maximum open position in foreign currencies of the Bank was 1.54 per cent.
➔ The maximum loan to one borrower comprised 23.57 per cent*.
➔ The significant loan standard – 235.72 per cent.

*not including the loans for the subsidiary companies

Risk management constitutes the grounds of the Bank's activities and the integral part of the Group's operation. The following exposures are the most important to the Group: credit, market, liquidity and interest rate as well as operation exposure.

Credit risk

The Group is exposed to the credit risk of the counterparty being not able to repay the whole amount on time. The Group exposes itself to the credit risk by providing loans to the customers as well as one on the interbank market.

The Group does not use any derivative credit instruments. The Group minimizes its credit exposure by requiring collaterals and guarantees.

The Group distributes credit exposure between structural levels by setting maximum lending to one borrower, group of borrowers, geographical or industrial area limits. This risk is managed by means of monthly reviews, reporting and preventive control of regulatory compliance.

Market risk

The Group is exposed to the market risk, which is the risk that the Bank will suffer losses due to the fluctuation of market variables. The main market exposures are interest rate, exchange rate and share price risks.

The Group distributes market exposure between structural levels by imposing risk limits for the position, maximum loss, portfolio diversification and by taking risk buffering measures.

This risk is managed by means of daily assessment of positions by market value, control of compliance and regular reporting.

(VaR) risk value methodology is used.

Debt securities portfolio (the Bank possesses the most significant part of it) delivers the Group the main exposure to the market risk. The Bank uses share futures in interest rate risk management.

Currency position was not significant. Currency position risk is managed by limits imposed to the open position in foreign currencies.

Liquidity risk

The Bank pays a lot of attention to the liquidity risk management. The Bank complied with liquidity standard set by the Bank of Lithuania in 2010 (the ratio of the liquid assets of a bank to its liabilities must be at least 30 per cent) – the liquidity ratio of the Bank was usually over the standard and the average stood at 47.61 per cent in 2010.

In addition to the compliance with the standards set by the Bank of Lithuania, the Bank uses its internal liquidity management measures. The Bank imposes preventive internal liquidity ratios system, constantly analyses money flows.

The liquidity gap and premature deposits termination ratios as well as deposit fluctuation tendencies are constantly monitored by the Bank.

Gross interest rate risk

The Bank was constantly monitoring and analysing gross interest rate and Bank’s interest margin figures in 2010.

The main interest rate risk management measure is interest rate gap report.

Operational risk

Operational risk is defined as the risk of direct and indirect loss due to the improper internal processes, actions of employees, bank’s systems and external events.

The Bank manages the operational risk using complex operational risk management system.

The main component of this system is a register of operational risk events. There are persons responsible for the operational risks appointed in every division of the Bank and subsidiary. These employees complete the register of operational risk events specifying operational risk events in every division. All the entries are centrally systemised and analysed later on.

The Bank as well uses questionnaire based self-assessment in operational risk management. The analysis of the questionnaires allows identifying of the most exposed sites of the Bank’s processes and structure as well as imposing preventive measures.

The most important operational risk management preventive measure is insurance. Insurance helps to minimize losses due to the loss of material assets.

The Bank constantly improves operation risk management in order to secure the Bank’s processes and systems.

9. THE MAIN ASPECTS OF AB BANK SNORAS GROUP INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO FORMATION OF CONSOLIDATED FINANCIAL REPORTS

The same internal control organisation principles and the same accounting principles are applied to the entire Bank’s Group.

The financial reports of the Group comprise all subsidiary companies directly or indirectly controlled by AB Bank SNORAS.

The subsidiary companies, where the Group and the Bank has more than a half of the shares with the voting right or can otherwise control their activity, are consolidated. The subsidiary companies are consolidated since the date when their control is transferred to the Group and the Bank, and are not consolidated since the date when the control terminates. Financial reports of the subsidiary companies are consolidated by the full consolidation method.

While preparing the consolidated financial reporting, all joint operations of the Group and the account balances are eliminated.

The acquisition method is applied to account the acquired subsidiary companies of the Group. The assets to be identified, the liabilities and undefined liabilities, acquired during the business merging, are assessed by fair value on the acquisition day, irrespective of the minority share size.

The acquisition cost excess, in comparison to the fair value of the Group's net asset share to be identified, is accounted as goodwill. If the acquisition cost is less than the fair value of the Group's net asset share to be identified in the acquired subsidiary company, the difference is directly accounted in the profit (loss) statement.

The non controlling interest is the subsidiary companies' share, which does not belong to the Group. The non controlling on the balance day reflects the fair value share of the minority shareholders' in the subsidiary company's assets to be identified, the liabilities and undefined liabilities on the contingent acquisition day and the alteration share of the minority share property since the business merging day. The non controlling interest is reflected in the equity statement.

When the Bank and the Group together with other sharers (partners) jointly control the companies, financial reports are consolidated by the proportional consolidation method. Proportional consolidation is the method when the share of the assets, liabilities, income and expenditures items of one participant of a jointly controlled company in a jointly controlled company is added with similar items of financial accountability of another company.

The reports of the companies, where the Bank and the Group have significant influence, are consolidated by applying the equity method. Significant influence is the share of the authorized capital and (or) the voting rights, which provides the possibility to participate in making decisions of the financial, economic activity policy, without controlling the company. The equity method is the method when investment in the shares is recorded in the accounting by indicating the acquisition costs, and afterwards its accounting value is increased or decreased so that it would be possible to acknowledge and to show to the Bank and the Group in the financial reports the company profit or loss which is proportionally allocated for each reporting date.

10. INFORMATION ABOUT THE INTERNAL CONTROL SYSTEM OF THE BANK

The internal control system of the Bank is designated to ensure implementation of the Bank's purposes and tasks so that the Bank and the Group could seek long-term profitability and would create a reliable system of financial and management reporting.

The same internal control organisation principles are applied to the entire Bank's Group. The Bank, as the patronizing company of the Group, sets up the internal control organisation principles to the members of the Bank's Group, by taking into consideration the risk significance for subsidiary companies and for the entire Bank's Group.

The internal control is a continuous process whereby it is pursued so that:

The activity of the Bank and subsidiary companies would be effective, the group of the Bank's companies would be protected from possible losses (operational purpose).

The financial and other information, used within the Bank and subsidiary companies by the persons and institutions performing supervision or by other third persons, would be reliable, proper and provided on time (informational purpose).

The activity of the Bank and subsidiary companies would comply with the valid legal acts (compliance purpose).

Three types of internal control are applicable in the Bank and the Group:

Preliminary – the system of organisational means, which is designed to prevent abuse, to avoid activity errors as well as including fraudulent and false data in accounting and financial reports.

Special (instantaneous) – unexpected verification of individual operations, assets or their part during execution of operations or immediately after they are finished.

Follow-on – is designed to eliminate or correct abuses, errors, inaccuracies, cases of fraudulence or false data, which occurred in accounting or in financial reports.

11. ANALYSIS OF FINANCIAL AND NON-FINANCIAL RESULTS OF THE ACTIVITY

In 2010 the Bank continued successful implementation of its strategy acting on the market of Lithuanian banks as a universal bank with orientation towards retail banking, developing the performance of subsidiary Latvijas Krajbanka in the Republic of Latvia as well as expanding other spheres of the activity through its subsidiary companies - UAB “SNORO LIZINGAS”, UAB “SNORO Investment Management”, AB “Finasta Holding”, UAB “SNORAS Media”, UAB “SNORAS Development”, UAB “SNORO valda”, UAB “Dieveris” and OU “Real Estate Investment Management”.

In 2010 Bank SNORAS received several prestigious awards: the banking and finance magazine “The Banker” recognised AB Bank SNORAS as the best bank in Lithuania in 2010, while the business magazine “The World Finance” published in Great Britain as well as visitors of the portal www.worldfinance.com chose Bank SNORAS group as the best financial group in the Baltic States in 2010.

In August 2010, AB Bank SNORAS became a sponsor of Formula 1 team “Renault F1”.

In 2010 the Bank subsidiary company UAB “SNORAS Investment Management” acquired 51 per cent of the shares of the company UAB “Nekilnojamojo turto gama” managing “Vilniaus Verslo Uostas” (Vilnius Business Port) – the most modern office complex. Bank also acquired 51 per cent of UAB „NT panorama“ and UAB „Stelita“.

LTL 82.3 million emission of ordinary registered shares was distributed in 2010. The ordinary registered shares of the Bank were included in the Official List of NASDAQ OMX Vilnius.

According to the audited data, during 2010 the deposits of the Bank Group grew by 27 per cent and comprised LTL 9.37 billion, the assets – by 22.5 per cent up to LTL 11.06 billion. The Bank’s profit grew by 14.3 per cent and comprised LTL 9.93 million, the Group loss attributed to the Bank shareholders decreased by 2.85 times down to LTL 11.80 million. The Bank’s profit, without assessing the provisions formed during this year, is LTL 85.25 million, Group – LTL 60.59 million.

The main audited articles of the Statements of Financial position and Profit (Loss) of the Group and the Bank are provided in the tables.

Statements of Financial position of the Group and the Bank (LTL thousand)

	Group		Bank	
31 December	2009	2010	2009	2010
Assets	9 032 345	11 063 278	6 342 578	7 656 346
Liabilities	8 430 921	10 397 729	5 837 569	7 059 093
Equity attributable to shareholders of the Group	490 871	647 170	505 009	597 253
Minority interest	110 553	18 379	-	-
Total equity	601 424	665 549	505 009	597 253
Total equity and liabilities	9 032 345	11 063 278	6 342 578	7 656 346

Profit (loss) statements of the Group and the Bank (LTL thousand)

	Group		Bank	
31 December	2009	2010	2009	2010
Interest income	508 223	471 524	329 096	331 053
Interest expenses	(444 391)	(365 809)	(325 053)	(249 909)
Net interest income	63 832	105 715	4 043	81 144
Fee and commission income	109 990	129 278	70 116	70 991
Fee and commission expenses	(28 232)	(35 185)	(13 514)	(15 025)
Net fee and commission income	105 708	119 628	56 602	81 501
Other income /expenses	223 862	142 971	178 375	53 150

Impairment	(146 775)	(80 727)	(87 962)	(75 317)
Net operating income	246 627	287 587	151 058	140 478
Operating expenses	(287 813)	(311 986)	(142 528)	(134 192)
Pre-tax profit	(41 186)	(24 399)	8 530	6 286
Income tax expenses	(2 953)	4 258	160	3 647
Profit	(44 139)	(20 141)	8 690	9 933
Attributable to:				
Minority interest	(10 534)	(8 341)	-	-
Profit attributable to the shareholders of the Bank	(33 605)	(11 800)	8 690	9 933

Profitability and share price indexes of the Bank and the Group for the last three years

	Group / Bank	
Profitability indexes	2009	2010
ROE of shareholders	-6,84 / 1,72	-1,82 / 1,70
Total ROA	-0,50 / 0,14	-0,18 / 0,13
Price and profit ratio (P/E)	- / 58,59	- / 99,32
Price and bookkeeping value ratio (P/BV)	0,80 / 0,81	1,26 / 1,36
Main profit for ordinary share	-0,09 / 0,02	-0,03 / 0,02

12. REFERENCES AND ADDITIONAL EXPLANATIONS OF THE DATA PROVIDED IN THE ANNUAL FINANCIAL ACCOUNTS

All financial data provided in this annual statement are derived from audited financial statements and accounted according to the International Financial Reporting Standards (IFRS) adopted to be used in the EU and audited if not stated otherwise.

13. INFORMATION ABOUT ONE'S OBTAINED AND TRANSFERRED SHARES

Bank SNORAS has not obtained own shares.

14. INFORMATION ABOUT THE BANK'S BRANCHES AND REPRESENTATIVE OFFICES

Branches of the Bank:

Alytus branch Pulko str. 14/1, LT-62133 Alytus (8 315) 52 832, (8 315) 52 829 sekret.aly@snoras.com	Kaunas branch K.Donelaičio str. 76, LT-44248 Kaunas (8 37) 490 832, (8 37) 490 833 sekret.kau@snoras.com
Klaipėda branch Liepų str. 50, LT-92106 Klaipėda (8 46) 311 940, (8 46) 311 943 sekret.kla@snoras.com	Marijampolė branch J.Basanavičiaus a. 15, LT-68307 Marijampolė (8 343) 52 385, (8 343) 50 577 sekret.mar@snoras.com
Mažeikiai branch Laisvės str. 13, LT-89222 Mažeikiai (8 443) 27 325, (8 443) 26 381 sekret.maz@snoras.com	Panevėžys branch Smėlynės str. 2c, LT-35143 Panevėžys (8 45) 463 479, (8 45) 581 511 sekret.pan@snoras.com
Šiauliai branch Tilžės str. 170, LT-76296 Šiauliai (8 41) 523 199, (8 41) 523 195 sekret.sia@snoras.com	Tauragė branch Vytauto str. 60, LT-72248 Tauragė (8 446) 72 336, (8 446) 72 335 sekret.tau@snoras.com
Utena branch Maironio str. 12, LT-28143 Utena (8 389) 62 292, (8 389) 62 281 sekret.ute@snoras.com	Vilnius branch A.Vivulskio str. 7, LT-03221 Vilnius (8 5) 232 7242 sekret.vil@snoras.com
Estonian branch Roosikrantsi str. 17, Tallinn, Estonia Tel. +372 6 272970	Latvian branch Jura Alunana str. 2-5, Riga, Latvia Tel. +371 7 216309, +371 7 216308

Representative offices of the Bank:

Representative office in the Kingdom of Belgium Bastion tower level 20, Du Champ de Mars square 5 Brussels, Belgium Tel. +32 255 03541	Representative office in Czech Republic Školska str. 32, Prague, Czech Republic Tel. +42 022 1419773, +42 022 1419712
Representative office in Ukraine B.Chmelnitskogo 17/52-407a, Kiev, Ukraine Tel. +380 444 823756, +380 682 018775	Representative office in Belarus Nemiga 38-4, Minsk, Belarus Tel. +375 17 2110693
Representative office in Great Britain 6 Lombard Street, London Tel. +44 (0) 20 3137 5252	

15. SIGNIFICANT EVENTS THAT HAVE TAKEN PLACE SINCE THE END OF THE REPORTING PERIOD

In January 2011, AB Bank SNORAS ordinary registered shares began to be listed in Frankfurt (XETRA) and Berlin stock exchanges.

On 8 February 2011, AB Bank SNORAS Board decided to establish the Bank's subsidiary company PE "SNORO paramos fondas". The company is established seeking to more effectively use and allocate the Group funds designated for sponsoring various social projects and the society activity spheres.

On 24 February 2011 the Bank of Lithuania approved the conversion of LTL 51.8 million subordinated loan and LTL 72.5 million debt securities without term, both owned by two major shareholders of the Bank, into share capital.

16. INFORMATION ABOUT THE COMPANY PLANS, DEVELOPMENT AND FORECASTS

In 2011, Bank SNORAS will carry out its activity both in Lithuania and abroad endeavouring to hold the present market shares and, having an opportunity, to enlarge them. The Bank will seek to earn profit.

The Bank will take an active position in developing and expanding the segments of small and medium business clients and retail banking.

In the local market, the Bank will be maintaining and improving the present customer service network. The number of the network subdivisions will basically remain the same. During the upcoming three years, it is scheduled to optimize the customer service network of the Bank – the subdivisions may be both closed and relocated as well as new subdivisions may be established. However, essential changes are not planned during the nearest several years.

These actions will improve the customer service quality and will create conditions for increasing the sales of the Bank's products and services.

Bank SNORAS will also be expanding its activity through the subsidiary companies of the bank. AS "Latvijas Krājbanka" operating in the Republic of Latvia will be carrying on its business seeking to hold the current market shares and, having an opportunity, to enlarge them. AS "Latvijas Krājbanka" will endeavour to earn profit. AB Bank "Finasta" will be strengthening its positions in the sphere of investment banking and will be actively increasing the scopes of its activity. Other subsidiaries of the bank will be expanding their activity seeking to gain profit.

The Bank will continue the actions necessary for implementing the adopted decisions concerning the Bank's territorial expansion abroad.

The growth of the Bank's property is mostly associated with attracting financial resources in the internal market and with appropriate capital injections necessary for ensuring the development. If there is a favourable situation in the market, it is possible to use the opportunity to attract financing through emissions of non-negotiable securities.

Taking into consideration the financial situation presently dominating in the country and on external markets, in 2011 the Bank hopes to see growth of the main indexes. Hopefully, the net interest margin will be increasing as the price of the attracted funds will be decreasing.

In 2011 Bank SNORAS will continue implementation of the united banking platform Oracle FLEXCUBE that was started in 2008. The system will operate in all banks of SNORAS group, it will allow to increase the scope economy, to accelerate the supply of new products to the market as well as to increase the activity efficiency.

17. DESCRIPTION OF THE MAIN INVESTMENTS MADE DURING THE REPORTING PERIOD

AB Bank SNORAS Group company UAB „SNORAS Investment Management" acquired 51 per cent blocks of shares of UAB „Nekilnojamojo turto gama", UAB „Stelita" and UAB „NT Panorama". UAB „SNORAS Investment Management" purchased the companies' shares for a symbolic price (for 1 litas). AB Bank SNORAS Group investment in the companies is expressed by granting the loans, whose size amounts to LTL 63 million, while refinancing for the companies the loans granted by other persons.

AB Bank SNORAS acquired for LTL 1.25 million UAB "Dieveris" to which a part of the premises at A.Vivulskio str.7 belong by the ownership right.

18. THE SHAREHOLDERS' MUTUAL AGREEMENTS ABOUT WHICH THE ISSUER KNOWS AND DUE TO WHICH THE SECURITIES TRANSFER AND (OR) VOTING RIGHTS CAN BE RESTRICTED

AB Bank SNORAS does not know about the shareholders' mutual agreements due to which the securities transfer and (or) voting rights can be restricted.

19. SIGNIFICANT AGREEMENTS WHOSE PARTY IS THE ISSUER AND WHICH WOULD COME INTO FORCE, WOULD CHANGE OR TERMINATE IF THE ISSUER'S CONTROL CHANGES

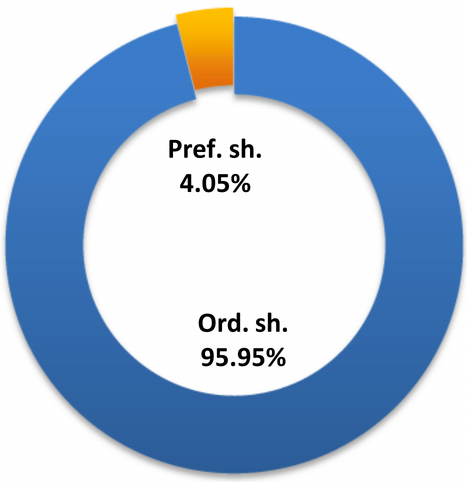
AB Bank SNORAS has not concluded any significant agreements which would come into force, would change or terminate if the Issuer's control changes.

20. THE STRUCTURE OF THE AUTHORIZED CAPITAL

The number of the issued shares and their share in the authorized capital as of 31 December 2010.

	Nominal value	Number of shares	Percentage in capital
Registered ordinary shares	1 litas	474 217 107	95.95 proc.
Registered preference shares	10 litas	2 000 000	4.05 proc.

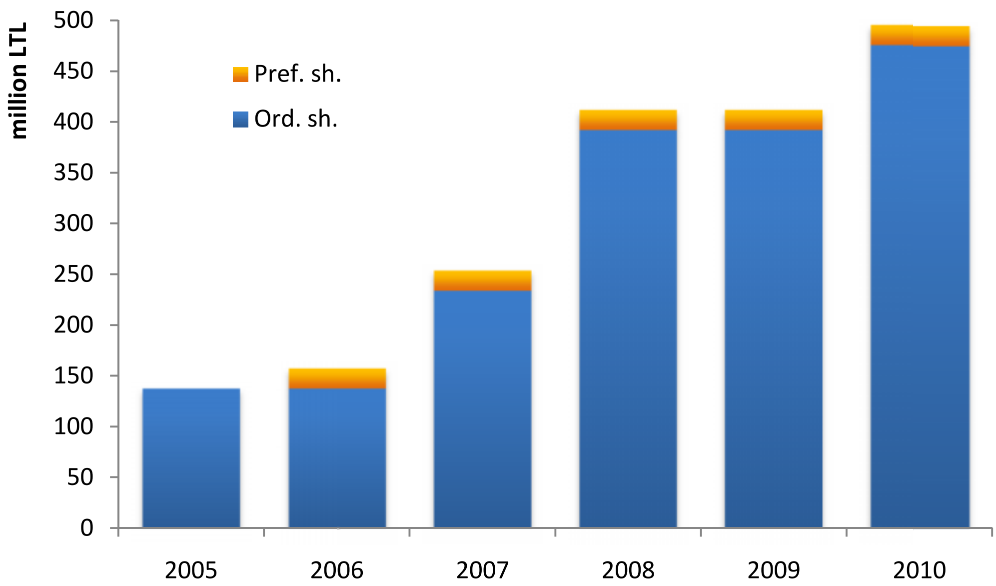
Composition of the authorized capital



Dynamics of the authorized capital of the Bank:

31 December 2005	137 267 200,00 Lt
31 December 2006	157 267 200,00 Lt
31 December 2007	253 354 240,00 Lt
31 December 2008	411 922 567,00 Lt
31 December 2009	411 922 567,00 Lt
31 December 2010	494 217 107,00 Lt

Dynamics of the authorized capital of Public Limited Liability Company Bank SNORAS



21. THE RIGHTS AND THE RIGHTS OF PRE-EMPTION GRANTED BY EACH CLASS OF THE AVAILABLE SHARES AS WELL AS THE LIMITS SET FOR THEM

The shares issued by the Bank grant property and non-property rights to the shareholders.

Shareholders that are holders of the preference shares have the following property rights:

- ➔ to get the invariable non-cumulative dividend worth 10 (ten) % of the nominal value of the share;
- ➔ to receive a part of assets of the Bank in liquidation;
- ➔ to acquire bonus shares when the authorised capital is increased by the share premium account;
- ➔ by right of pre-emption to acquire shares or convertible debentures issued by the Bank except the case when the general meeting of the shareholders in accordance with the procedures established by the Law on Companies of the Republic of Lithuania takes a decision to abolish the right of pre-emption of all shareholders;
- ➔ by means established by law to lend money to the Bank, however, the Bank, while incurring debt, has no right to pledge its assets to the shareholders. If the Bank incurs debt from the shareholder, interest shall not exceed the average interest rate of the commercial banks situated in the living or business place of the lender that was valid at the time of making a loan contract. In this case the Bank and the shareholders are banned from negotiating extent of higher interest.
- ➔ other property rights established by laws.

Shareholders that are holders of the ordinary shares have the following property rights:

- ➔ to acquire part of the Bank's profit (dividend) if the respective property right of the holders of the preference shares is realized;
- ➔ to receive a part of assets of the Bank in liquidation;
- ➔ to acquire bonus shares when the authorised capital is increased by the Bank's funds;
- ➔ by right of pre-emption to acquire shares or convertible debentures issued by the Bank except the case when the general meeting of the shareholders in accordance with the procedures established by the Law on Companies of the Republic of Lithuania takes a decision to abolish the right of pre-emption of all shareholders;
- ➔ by means established by law to lend money to the Bank, however, the Bank, while incurring debt, has no right to pledge its assets to the shareholders. If the Bank incurs debt from the shareholder, interest shall not exceed the average interest rate of the commercial banks situated in the living or business place of the lender that was valid at the time of making a loan contract. In this case the Bank and the shareholders are banned from negotiating extent of higher interest;
- ➔ other property rights established by laws.

Shareholders have the following non-property rights:

- ➔ to participate in the general meetings of the shareholders. Persons who were shareholders at the end of the record date of the meeting shall have the right to attend and vote at the general meeting or repeat general meeting themselves, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may dispose of their right to vote to other persons with whom an agreement on the disposal of the voting right has been concluded. The record date of the general meeting of the Bank's shareholders shall be the fifth working day before the general meeting or the fifth working day before the repeat general meeting;
- ➔ according to the rights granted by the shares to vote in the general meetings of the shareholders:
- ➔ each ordinary registered share of the Bank grants its holder 1 (one) vote in the general meeting of the shareholders;
- ➔ the preference registered share of the Bank shall not grant its holder voting right in the general meeting of the shareholders unless the cases provided for by the Law on Companies of the Republic of Lithuania;
- ➔ to receive the information about the Bank provided for by the Law on Companies of the Republic of Lithuania;
- ➔ to bring a case before a court, claiming for indemnification to the Bank when the damage was caused by the Head of the Bank Administration's and members of the Board' s failure to perform their official duties or inappropriate performance of these duties established by the Law on Companies of the Republic of Lithuania and other laws as well as the Articles of Association of a Bank, and in other cases stipulated by laws;
- ➔ other non-property rights determined by laws.

22. DESCRIPTION OF THE RESTRICTIONS FOR FREE DISPOSAL OF SECURITIES

22.1. There are no restrictions for free disposal of securities except the cases stipulated by the Law on Banks of the Republic of Lithuania:

<u>Persons who may not be the shareholders of the Bank:</u>

- ➔ legal entities that are financed from the state or municipality budgets;
- ➔ the persons that did not provide any data for their own identification as well as the data on participants, activity, financial state, heads of the legal entity, the persons for whose benefit shares are obtained or legitimacy of the acquisition of the funds used for obtaining the shares to the supervisory institution in cases and under the procedures established by legal acts, as well as the persons who did not prove the legitimacy of the acquisition of the funds used for obtaining the shares by providing the said data;
- ➔ the persons who do not agree that in cases and under the procedures provided for by laws and other legal acts the supervisory institution shall administer their data necessary for the issue of licences, permits and agreements stipulated by this Law, including their personal data and information on one's previous convictions and health.

22.2. A person, who wants to acquire 10 per cent or more of the Bank's authorized capital or to increase the available share so that its owned share of the authorized capital would comprise 1/5, 1/3, 1/2 share, or so that the Bank would become controlled by him, must obtain a prior consent of the supervisory institution.

23. SHAREHOLDERS

The shareholders who by ownership had more than 5% of the authorized capital of the Bank on 31 December 2010:

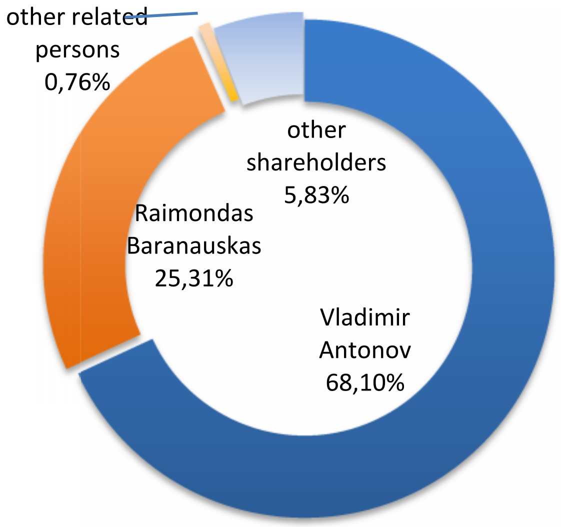
Shareholder, type of shares	Number of available shares		Share of votes,%	
	Belonging by ownership	To jointly operating persons	Belonging by ownership	To jointly operating persons
Vladimir Antonov, ord. sh.	322 922 529	446 557 919	68,10	94,17
Raimondas Baranauskas, ord. sh.	120 026 077	446 557 919	25,31	94,17
Raimondas Baranauskas, pref. sh.	200 000	1 100 000	-	-
Trasatlantic Holdings Company, ord. sh.	3 521 692	446 557 919	0,74	94,17
Trasatlantic Holdings Company, pref. sh.	900 000	1 100 000	-	-

Sigita Baranauskienė, ord. sh.	46 540	446 557 919	0,01	94,17
Naglis Stancikas, ord. sh.	29 280	446 557 919	0,006	94,17
Aušra Ižičkienė, ord. sh.	4 287	446 557 919	0,0009	94,17
Romasis Vaitekūnas, ord. sh.	3 951	446 557 919	0,0008	94,17
Gitanas Kancerevyčius, ord. sh.	3 300	446 557 919	0,0007	94,17
Janina Bronislava Vaitekūnienė, ord. sh.	263	446 557 919	0,00006	94,17

At the end of the reference period, the Bank had 3 609 shareholders, 3 484 of them had shares entitling to voting rights.

All holders of the ordinary registered shares of the Issuer have equal voting rights.

Owners of registered ordinary shares as of 31 December 2010



24. NUMBER OF EMPLOYEES AT THE END OF THE TERMS

	31-12-2010	31-12-2009	31-12-2008
Total number of employees	1 279	1 225	1 287
Thereof:			
Leading executives	93	93	95
Specialists	1 082	1 028	1 083
Other employees	104	104	109
Education:			
Higher	996	944	989
Special secondary (further)	200	219	228
Secondary	83	62	70
Average gross salary, LTL:	3 141.60	3 214.20	3 779.60
Leading executives	9 425.80	9 605.40	10 034.70
Specialists	2 657.90	2 678.40	3 352.20
Other employees	1 703.40	1 763.80	1 774.80

Bankas nėra sudaręs su darbuotojais kolektyvinių sutarčių, kuriuose būtų nurodytos ypatingos Banko darbuotojų ar jų dalies teisės ir pareigos.

25. ALL AGREEMENTS OF THE ISSUER AND EMPLOYEES, PROVIDING FOR COMPENSATION, IF THEY RESIGNED OR WERE DISMISSED WITHOUT A VALID REASON OR IF THEIR WORK ENDED DUE TO THE CHANGE OF THE ISSUER'S CONTROL

AB Bank SNORAS has not concluded the agreements, providing for compensation to the Company employees, if they resigned or were dismissed without a valid reason or if their work ended due to the change of the Issuer's control.

26. THE ORDER OF AMENDMENTS OF THE BANK'S ARTICLES OF ASSOCIATION

The general shareholders' meeting has a right to amend the Bank's Articles of Association by the eligible majority of votes which cannot be less than 2/3 of all votes given by the shares of the shareholders participating in the general shareholders' meeting.

27. THE ORGANS OF THE BANK AND THEIR AUTHORITY

The Bank's organs are the general shareholders' meeting, the Supervisory Board of the Bank, the Board and the administration manager. The organs of the Bank's Board are the Bank's Board and the administration manager.

The general shareholders' meeting

The general shareholders' meeting by the common majority of the votes of all shareholders participating in the meeting has a right to:

- → elect members of the Bank's Supervisory Board;
- → dismiss the Bank's Supervisory Board or its individual members;
- → choose and revoke an audit company, set conditions of paying for auditing services;
- → approve the annual financial report;
- → adopt a decision for the Bank to obtain its own shares;
- → elect and dismiss the Bank's liquidator, apart from the exceptions defined in the Law on the public limited liability companies of the Republic of Lithuania;
- → make solutions for the issues presented by the Bank's Board and the Supervisory Board.

The general shareholders' meeting by the eligible majority of votes, which cannot be less than 2/3 of all votes given by the shares of the shareholders participating in the general shareholders' meeting, adopts decisions:

- → to amend the Bank's Articles of Associations, apart from the exceptions defined in the Law on the public limited liability companies of the Republic of Lithuania;
- → to set the class, number, nominal price of the issued shares and the minimum cost of the emission;
- → to convert the Bank's shares of one class into another, to approve the order of the share conversion;
- → to issue convertible bonds;
- → concerning allocation of profit (losses);
- → concerning formation, utilization, minimization and dissolution of reserves;
- → to increase the authorized capital;
- → to minimize the authorized capital, apart from the exceptions defined in the Law on the public limited liability companies of the Republic of Lithuania;
- → concerning the approval of the conditions of the Bank's reorganization or separation;
- → concerning the reconstruction of the Bank;
- → concerning the Bank's liquidation and cancellation of liquidation, apart from the exceptions defined by the laws;
- → to transfer to the Bank's management organs the right to use the entire property of the Bank.

The general shareholders' meeting by the eligible majority of votes, which cannot be less than 3/4 of all votes given by the shares of the shareholders participating in the general shareholders' meeting and having the right to vote in solving this question, adopts a decision:

- → to cancel the right of pre-emption for all shareholders to obtain the shares of a specific emission issued by the Bank or convertible bonds of a specific emission issued by the Bank.

The Supervisory Board of the Bank is a collegial body supervising the bank's activity. The Supervisory Board of the Bank comprises 5[1] members. It is elected by the general shareholders' meeting.

[1] The general shareholders' meeting, which took place on 21 December 2010, adopted the resolution to change the number of the members of the Supervisory Board to 7.

The Supervisory Board of the Bank:

- → approves the activity plans of the Bank;
- → sets the borrowing procedure that may be implemented only subject to the approval of the Supervisory board of the Bank;
- → ensures the effective internal control system within the Bank. It forms the internal audit committee, approves its regulations and controls its activity;
- → elects and withdraws the members of the Bank management board. Should the results of the Bank activity show that the activity of the Bank is at loss, the Supervisory board shall consider the suitability of the members of the management board for their offices;
- → supervises the activity of the management board and the head of administration of the Bank. In determining the remuneration of the Bank management board members who have other offices at the Bank as well as of heads of administration and other employment agreement conditions, it should be approved by the Bank supervisory board in advance;
- → submits responses and suggestions to the general shareholders' meeting regarding the Bank activity strategy, annual financial accounts, draft distribution of profit and the activity report of the Bank as well as the activity of the management board and administration of the Bank;
- → submits proposals to the management board and the heads of administration of the Bank regarding the withdrawal of their decisions contrary to the laws and other legislation, to the statute (articles of association) of the Bank or the decisions of the general shareholders' meeting.
- → discusses and settles the questions which according to the laws of the banks of the Republic of Lithuania as well as other legislation or Bank statute (articles of association) should be settled by the supervisory board of the Bank, as well as other supervision issues over the activity of the Bank and its management bodies set forth by the decisions of the general shareholders' meeting for the competence of the Bank supervisory board.

The Management Board of the Bank is a collegial management body. The Managgement Board manages the Bank, runs its affairs, represents it and is responsible for the Bank operations performance in accordance with the laws.

The management board comprises 7 members who are elected for 4 years by the supervisory board of the Bank. The Bank management board elects a Bank management board chairman of its members.

The Bank management:

- → elects the chairman of the Management board and the deputy chairman;

  The Bank management discusses and approves:

- → the activity strategy of the Bank;
- → the annual report of the Bank;
- → the management structure and the offices of the employees;
- → the offices which are being employed by way of selection;
- → the regulations of the Bank territorial subdivisions (branches, branch outlets, mini-banks and representative offices), the office regulations of the head of administration and his deputy;
- → determines the remuneration for the head of administration of the Bank and other employment agreement conditions;
- → determines the information which is held to be the Bank secret; the information which according to the laws of the Republic of Lithuania on the limited liability companies should be public;
- → determines the internal control policy of the Bank and controls whether the internal control system is appropriate and efficient;
- → approves the order of paying for the associates' work and granting premiums, determines the limits of their salaries;
- → approves the competence of the Bank's Crediting Committee and Risk Management Committee, the order of formation and activity, approves bylaws of these committees;
- → adopts decisions concerning the issuance and acceptance of loans according to the limits of competence designated for it;
- → adopts decisions on writing off loss-making loans and defines the order of writing off the loans;
- → manages, uses and disposes the assets appropriated for the debts;
- → appoints people to represent the companies where the Bank has shares;

- → adopts decisions concerning the issuance of the Bank's bonds and the order of their turnover;
- → determines the Bank's crediting policy;
- → sets forth the costs and tariffs of the Bank's services;
- → analyses and evaluates the material, submitted by the Bank's administration manager, about:
- → implementation of the activity strategy of the Bank;
- → reorganization of the Bank's activity;
- → the Bank's financial status;
- → results of the household activity, estimates of income and expenditures, data of inventory and other asset exchange accounting data;
- → adopts decisions for the Bank to become the founder or participant of other legal persons;
- → adopts decisions to establish territorial subdivisions of the Bank: branches, branch outlets, mini-banks and representative offices as well as to terminate their activity;
- → adopts decisions concerning the long-term assets whose balance value exceeds 1/20 of the Bank's authorized capital, investment, transfer, rent (calculated separately for each type of a transaction);
- → adopts decisions concerning the long-term assets whose balance value exceeds 1/20 of the Bank's authorized capital, pledging and mortgage (the overall amount of the transactions is calculated);
- → adopts decisions concerning assumptions of other persons, whose amount exceeds 1/20 of the Bank's authorized capital, execution, sponsorship or guarantee;
- → adopts decisions to obtain long-term assets for the price which exceeds 1/20 of the Bank's authorized capital;
- → analyses, evaluates the Bank's annual financial accounting project as well as the project of profit (loss) allocation and together with the Bank's annual report submits them to the general shareholders' meeting. The Bank's Board determines the calculation methods applied in the Bank which are associated with wearing-out of the material assets and depreciation of non-material property;
- → discusses or solves other questions which must be solved by the Bank's Board, according to the laws on the banks of the Republic of Lithuania and other laws or the Bank's Articles of Association, the decisions of the general shareholders' meeting;
- → solves other questions of the Bank if they, according to the laws of the Republic of Lithuania or other legal acts are not ascribed to the competence of other organs of the Bank.

The Bank's administration manager is called the President of the Bank. The office of the Bank's administration manager is held by the chairman of the Bank's Board. The President of the Bank is a one-man management body of the Bank.

The President of the Bank:

- → organizes the everyday activity of the Bank;
- → represents the Bank in relations with legal and natural persons in Lithuania and abroad;
- → under the order established by the laws makes transactions on behalf of the Bank, represents the Bank in the court without specific authorization, arbitrage, in the organs of the government and management and in other institutions;
- → provides suggestions to the Board concerning the Bank's activity, structure and other issues;
- → employs and dismisses associates, concludes and terminates employment agreements with them (including the directors of the Bank's branches and representative offices), confirms their office regulations, motivates them and appoints penalties;
- → issues and revokes the authorizations to represent the Bank;
- → determines the standards of the property wastage calculation applied in the Bank;
- → issues orders, confirms rules regulating the order of the bank's internal work, instructions, regulations of the structural subdivisions (divisions, departments, units), the office regulations of the employees (apart from the exceptions from these articles of associations provided for by the laws) and other regulating documents;
- → not exceeding the competence, executes the orders of the Bank's Board and the Supervisory Board;
- → executes the functions ascribed to his competence in the laws and other legal acts.

The President of the Bank is responsible for:

- → organizing the Bank's activity and accurately implementing it;
- → arranging the annual financial accountability and preparing the Bank's annual;
- → concluding the agreement with the auditing company;

- → submitting the information and documentation to the general shareholders' meeting, the Bank's Supervisory Board and Management Board in the cases defined by the law on the public limited liability companies of the Republic of Lithuania or upon their request;
- → submitting the Bank's documents and data to the keeper of the legal entities register;
- → submitting the Bank's documents to the Securities Commission and the Central securities depository of Lithuania;
- → publicizing the information set forth by the law on the public limited liability companies of the Republic of Lithuania;
- → submitting information to the shareholders;
- → executing the obligations defined in the office regulations of the Bank's Articles of Associations and the Bank's administration manager as well as in other laws on the public limited liability companies of the Republic of Lithuania and legal acts.

28. INFORMATION ABOUT THE ISSUER'S COLLEGIAL AUTHORITIES MEMBERS, HEAD OF THE COMPANY, THE CHIEF ACCOUNTANT

28.1. The position, names and surnames of members of collegial authorities:

The Supervisory Board of the Bank

Chairman of the Supervisory Board
Vladimir Antonov

Member of the Supervisory Board
Aleksandr Antonov

Member of the Supervisory Board
Oleg Sukhorukov

Member of the Supervisory Board
Michael D. Chartres

Member of the Supervisory Board
Maksim Anchipolovsky[2]

[2] The general shareholders' meeting, which took place on 31 March 2010, accepted the application on Mr. Maksim Anchipolovsky's resignation; however, commissioned him to execute his functions until the newly elected member of the Supervisory Board obtains all necessary permits. Hans Berndt was elected the new member of the Supervisory Board.

The Board of the Bank

Chairman of the Board (head of administration)
Raimondas Baranauskas

Deputy Chairman of the Board
Naglis Stancikas

Deputy Chairman of the Board
Žoržas Šarafanovičius

Deputy Chairman of the Board
Romasis Vaitekūnas

Member of the Board
Aušra Ižičkienė

Member of the Board
Modestas Keliauskas

Member of the Board
Gitanas Kancerevyčius

Head of the company	
Raimondas Baranauskas	President of the Bank
Chief Financier	
Jurgita Bliumin	Chief Financial Officer

28.2. Data on participation in the authorized capital of the Issuer:

	Number of available shares		Equity capital/ share of votes,%
	Preferred	Ordinary	
Supervisory Board of the Bank:			
Vladimir Antonov	-	322 922 529	65,34/68,10
Aleksandr Antonov	Does not participate in Bank capital		-
Maksim Anchipolovsky	Does not participate in Bank capital		-
Oleg Suchorukov	Does not participate in Bank capital		-
Michael D Chartres	Does not participate in Bank capital		-
Board of the Bank:			
Raimondas Baranauskas	200 000	120 026 077	24,69/25,31
Naglis Stancikas	-	29 280	<0,01
Žoržas Šarafanovičius	Does not participate in Bank capital		-
Romasis Vaitekūnas	-	3 951	<0,001
Aušra Ižičkienė	-	4 287	<0,001
Modestas Keliauskas	Does not participate in Bank capital		-
Gitanas Kancerevyčius	-	3 300	<0,001
Chief Financier			
Jurgita Bliumin	Does not participate in Bank capital		-

28.3. The beginning and end of the present term of office of the collegial authorities members

		Beginning of the term of office	**End of the term of office**
Supervisory Board of the Bank			
Chairman:	Vladimir Antonov	11-06-2007	11-06-2011
Members:	Aleksandr Antonov	11-06-2007	11-06-2011
	Maksim Anchipolovsky	01-11-2008	31-03-2010[3]
	Oleg Suchorukov	11-06-2007	11-06-2011
	Michael D Chartres	11-06-2007	11-06-2011
Board of the Bank			
Chairman:	Raimondas Baranauskas	05-06-2007	05-06-2011
Members:	Naglis Stancikas	05-06-2007	05-06-2011
	Žoržas Šarafanovičius	05-06-2007	05-06-2011
	Romasis Vaitekūnas	05-06-2007	05-06-2011
	Aušra Ižičkienė	05-06-2007	05-06-2011
	Modestas Keliauskas	05-06-2007	05-06-2011
	Gitanas Kancerevyčius	05-06-2007	05-06-2011

[3] The general shareholders' meeting, which took place on 31 March 2010, accepted the application on Mr. Maksim Anchipolovsky's resignation; however, commissioned him to execute his functions until the newly elected member of the Supervisory Board obtains all necessary permits. Hans Berndt was elected the new member of the Supervisory Board.

28.4. Information about the amounts of money accrued during the accounting period (LTL):

	Supervisory Board of the Bank	Board of the Bank
Total accrued amount of money	2 019 426	2 901 462
To one member on the average	403 885	414 495
Head of administration	1 060 622	
Chief Financier	194 168	

Bank has issued 121 000 LTL guarantee for Board vice-chairman Naglis Stancikas.

29. DATA ON THE MEMBERS OF THE COMMITTEES ESTABLISHED IN THE BANK

29.1. Information on the Audit Committee of the Bank

The Audit Committee of the Bank consists of 3 (three) members, 2 (two) of which are members of the Bank's Supervisory Board, 1 (one) – the head of the Bank's structural subdivision.

Members of the Audit Committee are elected at the Supervisory Board meeting for the period until a new Supervisory Board of the Bank is elected. The following persons were elected to the Audit Committee:

	Name, surname	Position in the issuer's company
Chairman of the Audit Committee	Michael D. Chartres	Member of the Supervisory Board
Member of the Audit Committee	Oleg Sukhorukov	Member of the Supervisory Board
Member of the Audit Committee	Aušra Ižičkienė	Member of the Board, director of Legal Department

The main purpose of the Audit Committee activity is preparation and presentation of recommendations to the Bank's Supervisory Board on the following questions:

- → Executing the independent external annual audit of the Bank's financial reporting (preparation of recommendations while collecting evaluations of the quality and thoroughness of the services provided by the external audit company as well as ensuring independence of its audit, and if necessary – submission of the recommendations, which the Bank's shareholders approve, by changing the external audit company);
- → Enhancing the Bank's internal control system and improving the work of the Bank's Internal Audit Division (with the possibility to recommend, provide and terminate the authorizations of the director of Internal Audit Division);
- → The Bank's asset evaluation, which should be performed by an independent evaluator, in the cases provided for by the laws of the Republic of Lithuania;
- → Compliance of the Bank's activity to the laws of the Republic of Lithuania and to the Code of Ethics, other legal acts, Articles of Association, the Bank's strategy and policy established by the Bank's Supervisory Board.

To execute the granted authorizations, the Audit Committee is provided with the following rights:

- → To control and verify how decisions and orders of the Bank's Supervisory Board on the issues of the Audit Committee activity are executed;
- → To obtain the report of the director of Internal Audit Division on the process of executing the decisions of the Board on the issues of the Audit Committee activity;
- → Under the order established in the Bank to address and receive from the members of the Bank's Board and Supervisory Board, the director of Internal Audit Division, heads of the Bank's structural subdivisions the information necessary for executing its activity. The Audit Committee also has a right to obtain information from the Bank's subsidiary companies;
- → If necessary, to invite the aforementioned persons to the Audit Committee meetings;
- → Within the limits of the Audit Committee budget, to use the professional services of other organisations;
- → To submit proposals concerning changes and supplements to these Provisions;
- → If necessary, to prepare and submit the projects of the documents regulating the Audit Committee activity for approval to the Bank's Supervisory Board;

→ Other Audit Committee rights necessary for executing the functions established for it.

The information on the number of Bank's shares belonging to the members of the committee is presented in clause 26.2.

29.2. Information about the Bank's Appointment and Remuneration Committee

The Bank's Appointment and Remuneration Committee consists of 3 (three)[4] members, each being a member of the Bank's Supervisory Board. The members of the Appointment and Remuneration Committee shall be elected at the Supervisory Board meeting for the period not longer than the duration of the authorisations of the Bank's Supervisory Board. The following persons were elected to the Appointment and Remuneration Committee:

	Name, surname	**Position in the issuer's company**
Chairman of Appointment and Remuneration Committee	Vladimir Antonov	Chairman of Supervisory Board
Member of Appointment and Remuneration Committee	Oleg Sukhorukov	Member of Supervisory Board

The Appointment and Remuneration Committee prepares and submits recommendations to the Bank's Supervisory Board, to which it reports directly, within the limits of its competence, comprising the following spheres:

- The issues, related to the staff, i.e.:
  - → Recommendations to the Supervisory Board on the criteria which must be considered while choosing candidates to the positions of the head of Administration, members of the Board and heads of the main structural subdivisions of the Bank;
  - → The preliminary assessment of the candidates to the positions of the head of Administration, members of the Board and heads of the main structural subdivisions of the Bank;
  - → The criteria and order of assessing the activity of the head of Administration, members of the Board and heads of the main structural subdivisions of the Bank;
  - → The regular assessment of activity of the head of Administration, members of the Board and heads of the main structural subdivisions of the Bank;
  - → The planning of taking over the main offices of the Bank's managers.
- The issues, related to remuneration, i.e.:
  - → The Bank's remuneration and promotion policy is necessary to ensure the effective activity of the directors and high-ranking managers;
  - → The conditions of the agreements with the head of Administration, members of the Board and heads of the main structural subdivisions of the Bank;
  - → The medium duration and long-term promotion system of the Bank's staff.
- The Supervisory Board activity, i.e.:
  - → The structure and takeover planning with regard to the members of the Supervisory Board and the committees of the Supervisory Board;
  - → The regular assessment of the activity of the Supervisory Board and its members;
  - → The system of remunerations for the members of the Supervisory Board;
  - → Other issues which the Supervisory Board can assign to the committee within the limits of its competence.

To execute the granted authorizations, the Appointment and Remuneration Committee is provided with the following rights and authorizations:

→ To pose and to informally discuss any issues, which in opinion of the Committee members may have a direct connection to the Committee competence and assignment;

→ According to the orders effective in the Bank, to require and obtain information from the managers of the Bank, including the members of the Supervisory Board, heads of the divisions and departments and heads of the Bank's subsidiary companies;

→ To obtain and examine the reports and recommendations on the current activity of the Bank and future plans;

[4] The extraordinary general shareholders' meeting, which took place on 5 November 2009, satisfied the resignation application submitted by the member of the Board, who was a member of the Appointment and Remuneration Committee.

- → To provide the Supervisory Board with recommendations on the issues attributed to the competence of the Committee; upon request of the Board, to submit reports in writing or verbally;
- → To control and verify how the Supervisory Board decisions and assignments, related to the issues attributed to the competence of the Committee, are executed;
- → To use the professional services of other organisations by not overrunning the limits of the Committee budget; to assign consulting with external consulting firms, to carry out analytical research and to collect other materials necessary for a thorough and rational discussion of the agenda questions;
- → When it is necessary and appropriate, to invite individual managers and members of the Bank's staff to its meetings;
- → To regularly assess its activity efficiency and to provide the Board with the annual activity report in writing.

To prepare the projects of the documents, regulating the Committee activity, and to submit them to the Board for approval.

The information on the number of Bank's shares belonging to the members of the committee is presented in clause 26.2.

30. INFORMATION CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES

Public limited liability company Bank SNORAS, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The activity strategy and the objective of the Bank are disclosed in the annual report of the Bank, part of the informatikon is available at the website of the Bank.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Supervisory Board of the Bank, the Management Bord and the head of administration evaluate the input of the bank employees in the improvement of the bank activity. For this purpose the employees are given the opportunities for self-improvement, to have thorough participation in the bank activity, the Bank awards the employees for novel ideas in the field of bank activity improvement. The Bank extends financial support for sports events, exhibitions, makes investments in the cultural life of the local community.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a	Yes	In compliance with the laws of the banks and financial institutions of the Republic of Lithuania the Bank has an instituted supervisory board, board of management and an elected head of

collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.		administration.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The collegial management body – the management board – performs the Bank management functions, whereas the collegial supervisory body – the supervisory board – supervises the work of the management board as well as the efficiency of its functions performance.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	The Bank forms both the supervisory board and the management board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	The members of the Bank supervisory board are elected by the shareholders from the candidates suggested by the shareholders, for this reason the order of forming the supervisory board ensures the representation of interests of the minority shareholders of the bank.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Board of the Bank has 7 (seven) members each. The Supervisory Board of the Bank has 5 (five) members. The extraordinary general shareholders' meeting, which took place on 21 December 2010, approved of the changing of the Articles of Association whereby the Supervisory Board of the Bank consists of 7 (seven) members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The bank's supervisory board is elected for 4 years and the terms of office of a supervisory board member are unlimited. According to the now valid articles of association and practice of the Bank, it is not prohibited to elect the same supervisory board members for a new term of office.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the supervisory board can conduct independent and impartial supervision because he never was and at the moment is not the head of bank's administration.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formalion of the supervisory board is ensured by the objective and fair monitoring. The minority shareholders are not limited in their right and opporunity to have their representative in the supervisory body.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the composition of the collegial body should be determined taking into consideration to the company's structure and activities, and it should be periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the Remuneration Committee should have knowledge and experience in the sphere of the salary establishment policy.	Yes	
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	Yes	The Bank considers the following Supervisory Board members to be independent members: Mr. Michael D. Chartres and Mr. Maksim Anchipolovsky.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all	Yes	

cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:

1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;

2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;

3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);

4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);

5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;

6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;

7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;

8) He/she has not been in the position of a member of the collegial body for over than 12 years;

9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Yes	
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Yes	The members mentioned in clause 3.6 are considered to be independent members, as they meet the independence criteria set out in the Code.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	At the extraordinary general shareholders' meetings as of 12 October 2007 "The order of the remuneration for AB Bank SNORAS Supervisory Board" was approved.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	All the supervisory board members act in good will with regard to the Bank, follow the interests of the Bank and not their own or the ones of third parties, seeking to retain their independence in decision-making.

4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The bank's supervisory board members actively participate in the board meetings and devote sufficient time and attention to perform their duties as members of the supervisory board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The collegial body of the Bank treats all the company's shareholders impartially and fairly.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. Using the services of the aforementioned consultants or specialists in order to obtain information about the market standards of the salary establishment systems, the remuneration committee should ensure that at the same time that consultant would not provide consultations to the human resources unit of the related company or to the executive or members of the management bodies.	Yes	The bank's supervisory board is independent in passing decisions that are significant for the Bank's operations and strategy.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees	Yes	Two committees are formed in the Bank: the internal audit committee as well as the nomination and remuneration committee.

are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	The internal audit committee is formed of three members, one of whom is considered to be independent. The nomination and remuneration committee is formed of three members; however, the extraordinary general shareholders' meeting, which took place on 5 November 2009, satisfied the submitted resignation application of the member of the Board, who was also a member of the nomination and remuneration committee. Therefore, this committee in the Bank temporarily consists of two members. The composition of the committees was formed considering the banking sector experience of the members, not their independence.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should	Yes	

have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.		
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Yes	The Bank has a formed nomination and remuneration committee which performs all the functions mentioned in clause 4.12.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) To ensure that the individual salary for the executive director and a member of the management body would be proportional to the salary of other executive directors of the company or members of the management bodies and other employees of the company;	Yes	The Bank has a formed nomination and remuneration committee which performs all the functions mentioned in clause 4.13. The members of the nomination and remuneration committee, who are also members of the Supervisory Board, regularly participate in the meetings of the Bank's shareholders.

4) To regularly supervise the salary nomination policy of the executive directors or members of the management bodies (as well as the policy of the remuneration substantiated by shares) and its implementation; 5) To provide the collegial body with proposals concerning proper forms of the agreements with the executive directors and members of the management bodies; 6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should inform the shareholders about execution of its functions and for this purpose to participate in the mentioned general shareholders' meeting.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the account sets of the companies in the group); 2) At least once a year to revise the systems of the internal control and risk management, seeking to ensure that the main types of risk (including the risk related to compliance with the valid laws and rules) are properly identified, managed and the information about them is disclosed; 3) To ensure efficiency of the internal audit functions as well as providing recommendations on electing, appointing, re-appointing and dismissing the head of the internal audit subdivision and concerning the budget of this subdivision as well as monitoring how the company's administration reacts to the conclusions and	Yes	The Bank has a formed internal audit committee which performs all the functions mentioned in clause 4.14.

recommendations of this subdivision. If there is no internal audit function in the company, the committee should assess the need to have this function at least once a year;

4) To provide the collegial body with recommendations, related to selecting, appointing, re-appointing and dismissing the external audit company (it is performed by the general shareholders' meeting of the company) and to the conditions of the agreement with the audit company. The committee should examine the situations concerning which the audit company or the auditor finds a reason for resignation and provide recommendations on the necessary actions in such case;

5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;

6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.

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

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

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

4.14.6. The audit committee should examine whether the company complies with the applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up actions.		
4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the annual and semi-annual statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The assessment of the supervisory board is not conducted in the Bank. The legislation of the Republic of Lithuania does not require such assessment performance.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The meetings of the supervisory board are convened at least once a quarter, the meetings of the management board – at least once a fortnight.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain	Yes	

issues of great importance to the company require immediate resolution.		
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	No	The bank capital comprises ordinary and preferred shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The bank informs the investors publicly of the rights of the new or the issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	According to the law of the limited liability companies of the Republic of Lithuania as well as Articles of Association of the Bank such issues are decided by the Bank management board. The important transactions require the approval of the supervisory board.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The Bank ensures equal opportunities for the shareholders to participate at the meetings and does not prejudice the rights and interests of the shareholders.
6.5. Seeking to ensure the right of the shareholders residing abroad to familiarize with the information, if possible, it is recommended that the documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company in advance not only in Lithuanian but also in English and (or) in other foreign languages. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company in Lithuanian and in English and/or in other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The projects of the decisions of the meeting and other documents, as well as the decisions of the meeting are made publicly accessible by the Bank at the GlobeNewswire information disclosure system and at its website.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Bank's shareholders may implement the right to participate in the general shareholders' meeting personally, through a representative or by submitting in advance the completed general voting ballot.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings by using electronic communication means. In such cases, the safety of the transferred information must be ensured and possibility to identify the person who participated and voted. Moreover, companies could furnish its shareholders, especially shareholders residing abroad, with the opportunity to watch shareholders' meetings by means of modern technologies.	No	There is no need to install the measures mentioned in the clause. Moreover, the benefit from them would be smaller than the expenditures of their installation.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter – the remuneration statement), which should be clear and easily understandable. This remuneration statement should be announced not only as part of the company's annual report but it should also be posted on the company's website.	No	The Bank does not make a public statement of the remuneration policy.

8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration statement is not publicly stated.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance assessment criteria that entitles directors to share options, shares or variable components of remuneration; 3) explanation how the chosen activity result assessment criteria are benefitial for the long-term interests of the company; 4) explanation of the methods, which are applied in seeking to identify whether the activity result assessment criteria are satisfied; 5) sufficiently comprehensive information about the periods of the payment delay of the part of the changeable composite remuneration; 6) sufficient information about the link between the remuneration and the activity results; 7) the main criteria (and their substantiation) of the annual premium system and any other non-monetary benefit; 8) sufficiently comprehensive information about the dismissal pay policy; 9) sufficiently comprehensive information about the period of granting the rights of the remuneration supported by shares, as specified in clause 8.13; 10) sufficiently comprehensive information about upkeeping the shares after granting the rights, as specified in clause 8.15; 11) sufficiently comprehensive information about the composition of the similar companies' groups, whose remuneration policy was analyzed seeking to identify the remuneration policy of the related company; 12) A description of the main characteristics of the supplementary pension or early retirement schemes for directors. 13) the remuneration report should not have information which is commercially non-disclosable.	No	The remuneration statement is not publicly stated.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The remuneration statement is not publicly stated.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.	No	The remuneration statement is not publicly stated.

8.5.1. The following remuneration and/or emolument-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders' meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefit considered as remuneration, if such benefit should not be specified in clauses 1-5.	No	The remuneration statement is not publicly stated.
8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of the existing share options occurring during the forthcoming financial year.	No	The remuneration of directors is not in shares, share options or share price movements.
8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.	No	Directors are not allocated additional pensions.
8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.	No	This information is confidential and is not publicly stated.

8.6. When the remuneration policy provides for changeable constituent remuneration parts, the companies should establish the limits of the size of the changeable constituent remuneration part. The non-changeable remuneration part should be sufficient that the company could be free from paying the changeable constituent remuneration part in that case when the activity result assessment crieteria are not met.	No	The remuneration statement is not publicly stated.
8.7. The difference of the constituent remuneration parts should depend on the prior established and calculated activity result assessment criteria.	Not applicable	Remuneration amounts of the directors are fixed.
8.8. When the changeable constituent remuneration part is allocated, the payment of this larger changeable constituent remuneration part should be postponed for a specific period corresponding to reasonable criteria. The size of the changeable constituent remuneration part, whose payment is postponed, should be determined according to the relational value of the changeable constituent remuneration part, by comparing it with the unchangeable remuneration part.	Not applicable	Remuneration amounts of the directors are fixed.
8.9. Agreements with executive directors or members of the management bodies should include the provision permitting the company to recover the changeable constituent remuneration part which was paid out according to the data that later turned out to be obviously incorrect.	Not applicable	Remuneration amounts of the directors are fixed.
8.10. Dismissal pays should not exceed the established sum or the determined number of the annual remunerations and generally they should not be larger than the sum of the two-year unchangeable remuneration part or its equivalent.	Yes	
8.11. Dismissal pays should not be paid if the employment agreement is terminated due to bad activity results.	Yes	
8.12. In addition, information should be disclosed, which is related to the process of preparation and decision making when the remuneration policy of the company's directors is established. The information should include the data, if applicable, about the remuneration committee's authorizations and composition, the names and surnames of the consultants, not related to the company, whose services were used while establishing the remuneration policy, as well as about the role of the annual general shareholders' meeting.	No	Such information is not publicly disclosed.
8.13. In case when the remuneration is based on the shares allocation, the right to the shares should not be granted for at least three years after their allocation.	No	The remuneration of directors is not in shares, share options or share price movements.
8.14. Share options or other rights to acquire shares or receive remuneration, based on the share price movements, should not be used at least three years after their allocation. Granting the right to the shares and the right to use the share options or to acquire shares with other rights or to obtain remuneration, based on the share price movements, should depend on the prior established and calculated activity result assessment criteria.	No	The remuneration of directors is not in shares, share options or share price movements.
8.15. After granting the rights the directors should keep a certain number of shares till the end of their office term, depending on the need to cover some expenses, related to the share acquisition. The number of the shares, which should be kept, must be determined, for example, by the double value of the general annual salary (unchangeable plus changeable part).	No	The remuneration of directors is not in shares, share options or share price movements.

8.16. The remuneration of directors' consultants or members of the Supervisory Board should not include the share options.	Yes	The remuneration of directors is not in shares, share options or share price movements.
8.17. Shareholders, primarily institutional shareholders, should be motivated to participate in the general shareholders' meetings and to vote on issues of establishing the directors' remunerations.	Yes	
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	The remuneration policy is not publicly stated and is not approved at the shareholders' meeting.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such cases shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The remuneration of directors is not in shares, share options or share price movements.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	No	The remuneration of directors is not in shares, share options or share price movements.
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	No	The remuneration of directors is not in shares, share options or share price movements.
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	No	The remuneration of directors is not in shares, share options or share price movements.

8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	No	The remuneration of directors is not in shares, share options or share price movements.
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	The Bank has not made any limitations as to the participation in the authorized capital.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy.	Yes	

This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.		
10.2. It is recommended that consolidated results of the whole group should be disclosed to the company, which is patronizing from the point of view of other companies, when the information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make appropriate investing decisions.	No	The importance of events is taken into consideration, at times the Bank announces the essential events during the trading session.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient and, in cases established by the legal acts, gratuitous access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The information at the Bank's website is published in Lithuanian, English and Russian languages.
10.7. It is recommended that the company's annual report, the set of financial reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about essential events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's set of interim financial statements, the company's set of annual financial reports and the annual report should be conducted by an independent firm of auditors in order to provide an	Yes	The audit of the Bank's financial reports is performed by UAB "Ernst & Young Baltic"

external and objective opinion on the company's financial statements.	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes

31. DATA ON INFORMATION THAT IS SUBJECT TO PUBLIC DISCLOSUREDATA ON INFORMATION THAT IS SUBJECT TO PUBLIC DISCLOSURE

01-03-2010	The unaudited result of the Public Limited Liability Company Bank SNORAS group for 2009 is LTL 47.87 million loss, the result of the Bank – LTL 8.69 million net profit.
01-03-2010	The interim abridged 12-month financial accountability is announced.
05-03-2010	The Board of the Public Limited Liability Company Bank SNORAS adopted a decision to convene an ordinary general shareholders' meeting on 31 March 2010.
09-03-2010	The international rating agency Fitch Ratings improved AB Bank SNORAS Long-term Issuer Default outlook from negative to stable.
10-03-2010	The projects of the general shareholders' meeting decisions are announced and the consolidated annual report for 2009 is presented.
15-03-2010	The consolidated and individual financial reports of AB Bank SNORAS for 2009 are presented.
31-03-2010	On 30 March 2010, AB Bank SNORAS acquired 31.96 per cent of AS "Latvijas Krajbanka" shares and thereby increased its managed block of shares of this bank up to 85.07 per cent.
01-04-2010	The decisions of the general shareholders' meeting are announced.
08-04-2010	The prospectus of the emission of AB Bank SNORAS ordinary registered shares of 88 077 433 litas nominal value is announced.
14-04-2010	On 14 April 2010, the international rating agency Fitch Ratings confirmed the ratings which were granted to AB Bank SNORAS earlier. The confirmed ratings: Long-term Issuer Default – "B+"; Short-term Issuer Default – "B"; Outlook – Stable.
03-05-2010	An offer was announced to use the pre-emption right to acquire the newly issuable ordinary registered shares of AB Bank SNORAS.
04-05-2010	The financial activity result of AB Bank SNORAS for 3 months of 2010 comprises LTL 4,124 million of unaudited net profit, the result of the Bank's financial group – LTL 7,528 million loss.
21-05-2010	AB Bank SNORAS redeemed the emission of Eurobonds of EUR 175 million nominal value, which was distributed by the Bank in 2007.
28-05-2010	AB Bank SNORAS Group company UAB "SNORAS Investment Management" signed the agreements on acquiring the blocks of shares of UAB "Nekilnojamojo turto gama", UAB "Stelita" and UAB "NT Panorama" according to which, having received the permission of LR Competition Council, 51 per cent of these companies' shares will be purchased.
31-05-2010	The unaudited interim abridged financial accountability of AB Bank SNORAS for 3 months of 2010 is presented.
03-06-2010	On 2 June 2010, by the decision of AB Bank SNORAS Board it was decided to establish the Bank's subsidiary company "Real estate investment management" OU (Republic of Estonia). The nature of the established company activity – real estate management and development in Estonia.
07-06-2010	It was announced about the beginning of the second stage of distributing of AB Bank SNORAS shares.
28-06-2010	It was announced about the beginning of the third stage of distributing of AB Bank SNORAS shares.

02-07-2010	It was announced about the end of the distribution stage of AB Bank SNORAS shares.
08-07-2010	The Base Prospectus of the emissions of AB Bank SNORAS bonds of 300 000 000 litas nominal value is announced.
21-07-2010	On 20 July 2010, AB Bank SNORAS Board approved the acquisition of 100 per cent of the block of shares of UAB “Dieveris” for 1 250 000 litas, to which a part of the premises at A. Vivulskio str.7 belongs by the ownership right.
22-07-2010	AB Bank SNORAS Group company UAB “SNORAS Investment Management”, having received the permission of LR Competition Council, finished the transaction whereby it acquired 51 per cent of the blocks of shares of UAB “Nekilnojamojo turto gama”, UAB “Stelita” and UAB “NT Panorama”.
23-07-2010	The Board of the Bank of Lithuania permitted AB Bank SNORAS to register the change of the Bank’s Articles of Association, which is related to increasing the Bank’s authorized capital up to 494 217 107 litas. The authorized capital is increased by 82 294 540 litas attracted after distributing the new emission of AB Bank SNORAS ordinary registered shares in May-June this year.
02-08-2010	AB Bank SNORAS activity profit for 6 months of 2010 before the provisions and taxes comprises LTL 51.2 million, the profit of the Financial Group – LTL 46.5 million. The net unaudited profit of the Bank – LTL 5,038 million, the profit of the Financial Group – LTL 9,604 million.
05-08-2010	The unaudited interim abridged financial accountability of AB Bank SNORAS for 6 months of 2010 is presented.
11-08-2010	On 10 August 2010, AB Bank SNORAS Articles of Association with the increased authorized capital were registered in the Register of Legal Entities. The Bank’s authorized capital after the increase – 494 217 107 litas.
20-08-2010	The consolidated interim report of AB Bank SNORAS for 6 months of 2010 is announced.
31-08-2010	The abridged consolidated financial accountability of AB Bank SNORAS for 6 months is presented together with the conclusion of the auditors’ review.
06-09-2010	On 13 September this year, AB Bank SNORAS together with Commerzbank AG (Germany) starts the cycle of meetings with potential investors. On the basis of the results of the meetings and considering the situation of the market, Bank SNORAS will discuss the possibility of issuing the non-negotiable securities denominated in euros.
03-11-2010	On 02-11-2010, AB Bank SNORAS Board decided to submit the application to NASDAQ OMX Vilnius Stock Exchange on including AB Bank SNORAS ordinary registered shares in the Official Trading List.
04-11-2010	AB Bank SNORAS activity profit for 9 months of 2010 before the provisions and taxes comprises LTL 67.46 million, the profit of the Financial Group – LTL 57.88 million. The net unaudited profit of the Bank – LTL 5,968 million, the profit of the Financial Group, allocated to the shareholders – LTL 1,162 million.
08-11-2010	The unaudited interim abridged financial accountability of AB Bank SNORAS for 9 months of 2010 and the interim report is presented.
08-11-2010	NASDAQ OMX Vilnius Stock Exchange was submitted the application on including AB Bank SNORAS ordinary registered shares in the Official Trading List.
24-11-2010	The Board the Public Limited Liability Company Bank SNORAS adopted a decision to convene the extraordinary general shareholders’ meeting on 21 December 2010.
30-11-2010	The decision projects of the extraordinary general shareholders’ meeting are announced.
07-12-2010	The prestigious world banking and finance magazine “The Banker” recognized AB Bank SNORAS as the best bank in Lithuania in 2010.
21-12-2010	The decisions of the general shareholders’ meeting are announced.
31-12-2010	The Board the Public Limited Liability Company Bank SNORAS set up the conditions of distributing the new emission of shares: the emission price of one share – 1.00 litas; to implement the pre-emption right of the owners of ordinary shares to acquire the newly issuable shares while issuing the subscription rights; to distribute the new emission shares in three stages.

All announcements of the Bank, which are subject to public disclosure by the laws, are publicized in "Lietuvos rytas" newspaper according to the terms set forth by the laws and legal acts of the Republic of Lithuania. The information about the corporate actions of the Bank is submitted to the Securities Commission of the Republic of Lithuania, to Vilnius Stock Exchange, information disclosure and distribution system GlobeNewswire and is also published at the website www.snoras.lt

32. TRANSACTIONS WITH THE BANK RELATED PERSONS

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Amounts receivable:				
Loans and advances to related parties:				
- Management	100 469	21 103	94 580	19 386
- Subsidiaries	-	-	855 421	537 959
- Other related legal entities	188 421	157 434	158 097	155 557
- Other related private individuals	1 069	311	1 069	-
Financial assets at fair value through profit or loss - currency derivative fair value:				
- Subsidiaries	-	-	386	1 894
- Other related legal entities	87	133	87	133
Other payments for shares:				
- Subsidiaries	-	-	-	350
Total amounts receivable:	**290 046**	**178 981**	**1 109 640**	**715 279**
Amounts payable:				
Deposits and funds received:				
- Management	211 277	205 490	209 813	203 773
- Subsidiaries	-	-	7 908	5 874
- Other related legal entities	59 114	56 716	58 802	55 469
- Other related private individuals	2 215	31 693	1 155	1 165
Derivative liabilities - currency derivative fair value:				
- Subsidiaries	-	-	35	167
- Other related legal entities	269	3	269	3
Total amounts payable:	**272 875**	**293 902**	**277 982**	**266 451**
Credit commitments and contingencies to related parties:				
- Management	5 608	1 367	121	-
- Subsidiaries	-	-	19 405	19 405
Total commitments and contingencies to related parties:	**5 608**	**1 367**	**19 526**	**19 405**

Profit and loss items				
Interest revenue	4 394	923	34 350	43 708
Inc. interest revenue from subsidiaries and other related legal entities	-	-	31 435	42 785
Rent income from subsidiary for Investment property	-	-	-	2 348
Dividends income	-	-	-	11 364
Impairment for investment to subsidiary company		-	-	-3 569
Interest expense	-10 621	-5 536	-8 393	-6 175
Inc. interest expense to subsidiaries	-	-	*-592*	*-2 170*
Remuneration to the Board	6 381	7 675	2 965	3 595

All transactions with related parties are made in at terms equivalent to those that prevail in arm's length transactions.

Management includes two main shareholders, who are the members of the Board and Council in the Bank and the Group.

During the reporting period AS Latvijas Krajbanka has entered into an arrangement with its parent AB bank SNORAS with notional value of LTL 199 million of maximum possible credit enhancement. The fair value of the aforementioned agreement as estimated by Latvijas Krajbanka was null as a result no payments have been made by neither party at inception of this agreement. Due to the fact that applicable credit institution law already provides the obligation of majority shareholder of the bank (the holder of substantial stake) to increase the capital of Latvijas Krajbanka in case if that is needed, the obligations undertaken by the Bank with mentioned agreement do not increase Bank's liability to support Latvijas Krajbanka capital in case it is reasonably necessary.

The Bank's subsidiary AS Latvijas Krajbanka have received credit risk enhancement for loans in amount of LTL 17 million, by consideration arising from additional collateral placed by related legal party. This credit enhancement resulted in a reversal of impairment losses for loans covered by this credit risk enhancement.

Bank's subsidiary company UAB SNORO valda in 2010 bought investment property from the bank, related to main shareholder. The amount of transaction was LTL 7,950 thousand.

Bank in 2009 bought property from subsidiary company UAB SNORAS Development. 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 UAB SNORAS distressed assets. The amount of transaction was LTL 55,690 thousand.

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

AB Bankas SNORAS

2010 Separate and Consolidated Financial Statements

Prepared according to International Financial Reporting Standards as adopted by the European Union

Presented together with Independent Auditors' report

ERNST & YOUNG

CONTENTS

INDEPENDENT AUDITORS' REPORT 3

Consolidated and separate Statements of Financial Position 4
Consolidated and separate Income Statements 5
Consolidated and separate Statements of Comprehensive Income 6
Consolidated Statement of Changes in Equity 7
Separate Statement of Changes in Equity 8
Consolidated and separate Statements of Cash Flows 9
1. Principal Activities 10
2. Significant Accounting Policies 12
3. Cash and Cash Equivalents 25
4. Financial Assets and Liabilities at Fair Value through Profit or Loss 25
5. Amounts Due from Credit Institutions 26
6. Loans to Customers, net 27
7. Held-to-Maturity Financial Assets 28
8. Investment property under development 29
9. Investment Property 29
10. Property and Equipment 30
11. Intangible Assets 32
12. Taxation 34
13. Credit loss expenses and impairment losses 35
14. Other Assets and Other Liabilities 37
15. Subordinated loans 38
16. Amounts Due to Credit Institutions 38
17. Amounts Due to Customers 39
18. Debt Securities Issued 40
19. Equity 40
20. Earnings per Share 41
21. Dividends per Share 41
22. Commitments and Contingencies 42
23. Interest revenue and expenses 43
24. Net Fee and Commission Income 43
25. Net Trading Income 44
26. Net Income from Conversion Option 44
27. Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss 45
28. Net (loss) on financial assets and liabilities not measured at fair value through profit or loss 45
29. Other Operating Income 45
30. Salaries, Benefits and Other Operating Expenses 45
31. Business Combinations 46
32. Investment in an associate 50
33. Segment Reporting 51
34. Financial Risk Management 52
35. Fair Value of Financial Instruments 65
36. Related Party Transactions 68
37. Capital Adequacy 69
38. Subsequent events 70

ERNST & YOUNG

UAB „Ernst & Young Baltic"
Subačiaus g. 7
LT-01302 Vilnius
Lietuva

Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com/lt

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania

Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com/lt

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

Independent auditors' report to the shareholders of AB Bankas SNORAS

Report on the Financial Statements

We have audited the accompanying 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 at 31 December 2010, 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

Jonas Akelis
President
Auditor's licence
No. 000003

Ramūnas Bartašius
Auditor's licence
No. 000362

The audit was completed on 10 March 2011.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
(LTL thousand)

	Notes	Group For the year ended 31 December 2010	Group For the year ended 31 December 2009	Bank For the year ended 31 December 2010	Bank For the year ended 31 December 2009
Assets					
Cash and cash equivalents	3	2,547,294	2,050,754	1,399,785	1,356,577
Financial assets at fair value through profit or loss	4	1,545,829	1,008,735	1,297,525	871,281
Financial assets held-for-trading pledged as collateral	4	109,311	23,564	-	-
Amounts due from credit institutions	5	46,245	205,864	14,241	188,755
Loans to customers, net	6	5,496,799	4,844,743	4,220,429	3,269,786
Held-to-maturity financial assets	7	222,589	336,793	164,571	280,146
Investments in subsidiaries	1	-	-	188,618	139,265
Investment in an associate	32	19,125	-	-	-
Investment property	9	337,536	65,428	131,010	-
Investment property under development	8	158,681	11,710	-	-
Property and equipment	10	321,260	234,026	121,362	140,704
Intangible assets	11	59,022	53,551	22,968	13,721
Deferred income tax assets	12	6,382	5,202	-	-
Other assets	14	193,205	191,975	95,837	82,343
Total assets		**11,063,278**	**9,032,345**	**7,656,346**	**6,342,578**
Liabilities					
Amounts due to credit institutions	16	517,163	253,528	365,667	178,816
Derivative financial liabilities	4	7,396	6,122	2,472	1,098
Debt securities issued	18	217,481	529,870	205,175	519,696
Amounts due to customers	17	9,371,854	7,379,719	6,346,562	4,994,204
Current income tax liabilities		-	272	-	-
Deferred income tax liabilities	12	5,896	12,787	3,779	7,442
Other liabilities	14	81,030	53,315	13,948	14,902
Subordinated loans	15	196,909	195,308	121,490	121,411
Total liabilities		**10,397,729**	**8,430,921**	**7,059,093**	**5,837,569**
Equity	19				
Share capital		494,217	411,922	494,217	411,922
Reserves		124,620	73,318	70,802	67,539
Retained earnings		28,333	5,631	32,234	25,548
Total equity attributable to equity holders of the parent		**647,170**	**490,871**	**597,253**	**505,009**
Non-controlling interest		18,379	110,553	-	-
Total equity		**665,549**	**601,424**	**597,253**	**505,009**
Total equity and liabilities		**11,063,278**	**9,032,345**	**7,656,346**	**6,342,578**

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:

First Vice President, Acting as President	Naglis Stancikas		10 March 2011
Chief Financial Officer	Jurgita Bliumin		10 March 2011

CONSOLIDATED AND SEPARATE INCOME STATEMENTS
(LTL thousand)

	Notes	Group		Bank	
		For the year ended 31 December		*For the year ended 31 December*	
		2010	*2009*	*2010*	*2009*
Interest revenue		471,524	508,223	331,053	329,096
Interest (expenses)		(365,809)	(444,391)	(249,909)	(325,053)
Net interest income	23	105,715	63,832	81,144	4,043
Fee and commission income		129,278	109,990	70,991	70,116
Fee income for financial and advisory services		25,535	23,950	25,535	-
Fee and commission (expenses)		(35,185)	(28,232)	(15,025)	(13,514)
Net fee and commission income	24	119,628	105,708	81,501	56,602
Net trading income	25	75,372	73,865	49,298	30,752
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	8,498	4,824	(235)	1,308
Gain from own bonds repurchase		4	59,407	4	59,407
Net (loss) on financial assets and liabilities not measured at fair value through profit or loss	28	(60)	(5,050)	(71)	(5,060)
Sale of non-controlling interest	1	-	-	-	17,579
Dividend revenue		111	8	4	11,367
Share of loss of an associate	32	(875)	-	-	-
Penalty income	14	-	11,631	-	-
Gain from fair value adjustment of investment property	8, 9	43,418	2,916	-	-
Other operating income	29	16,503	11,476	4,150	1,645
Total operating income		**368,314**	**393,402**	**215,795**	**239,020**
Credit loss (expenses) and impairment losses	13	(80,727)	(146,775)	(75,317)	(87,962)
Net operating income		**287,587**	**246,627**	**140,478**	**151,058**
Salaries and benefits	30	(127,766)	(127,795)	(55,288)	(63,515)
Depreciation and amortisation	10,11	(31,224)	(26,937)	(17,426)	(14,139)
Other operating expenses	30	(152,996)	(133,081)	(61,478)	(64,874)
Total operating expenses		**(311,986)**	**(287,813)**	**(134,192)**	**(142,528)**
(Loss) profit before income tax		**(24,399)**	**(41,186)**	**6,286**	**8,530**
Income tax income (expenses)	12	4,258	(2,953)	3,647	160
(Loss) profit for the year		**(20,141)**	**(44,139)**	**9,933**	**8,690**
Attributable to:					
Equity holders of the parent		(11,800)	(33,605)	9,933	8,690
Non-controlling interest		(8,341)	(10,534)	-	-
		(20,141)	**(44,139)**	**9,933**	**8,690**
Basic and diluted earnings per share (LTL)	20	(0.03)	(0.09)		

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:

First Vice President, Acting as President	Naglis Stancikas		10 March 2011
Chief Financial Officer	Jurgita Bliumin		10 March 2011

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(LTL thousand)

	Group		Bank	
	For the year ended 31 December		*For the year ended 31 December*	
	2010	*2009*	*2010*	*2009*
(Loss) profit for the reporting year	**(20,141)**	**(44,139)**	**9,933**	**8,690**
Change of revaluation reserve of property and equipment	2,278	1,199	16	1,199
Change of reserve of foreign currency translation	(307)	4,919	-	-
Other comprehensive income for the year, net of tax	**1,971**	**6,118**	**16**	**1,199**
Total comprehensive income for the year, net of tax	(18,170)	(38,021)	9,949	9,889
Attributable to:				
Equity holders of the parent	(10,079)	(27,487)	9,949	9,889
Non-controlling interest	(8,091)	(10,534)	-	-

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:

First Vice President, Acting as President	Naglis Stancikas		10 March 2011
Chief Financial Officer	Jurgita Bliumin		10 March 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December, 2010 and 2009

(LTL thousand)

Group

	Attributable to the equity holders of the parent								
	Share capital	***Share surplus***	***Reserve capital***	***Revaluation reserve of property and equipment***	***Reserve of foreign currency translation***	***Other general reserves***	***Retained earnings***	***Non-controlling interest***	***Total equity***
As at 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 at 31 December 2009	**411,922**	**-**	**22,657**	**37,341**	**-**	**13,320**	**5,631**	**110,553**	**601,424**
Total comprehensive income/expenses for the reporting year	-	-	-	2,028	(307)	-	(11,800)	(8,091)	(18,170)
Transfer of revaluation reserve to retained earnings	-	-	-	(31)	-	-	31	-	-
Increase of share capital (Note 19)	82,295	-	-	-	-	-	-	-	82,295
Changes in ownership interest in subsidiaries without loss of control (Note 1)	-	27,671	2,710	15,647	-	-	38,055	(84,083)	-
Transfer to reserve capital	-	-	1,998	-	-	-	(1,998)	-	-
Transfer to other reserves	-	-	-	-	-	1,586	(1,586)	-	-
As at 31 December 2010	**494,217**	**27,671**	**27,365**	**54,985**	**(307)**	**14,906**	**28,333**	**18,379**	**665,549**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the years ended 31 December, 2010 and 2009
(LTL thousand)

Bank	Attributable to the equity holders of the parent					
	Share Capital	*Reserve capital*	*Revaluation reserve of property and equipment*	*Other general reserves*	*Retained earnings*	*Total equity*
As at 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 at 31 December 2009	**411,922**	**22,657**	**32,352**	**12,530**	**25,548**	**505,009**
Total comprehensive income/expenses for the reporting year	-	-	16	-	9,933	9,949
Transfer of revaluation reserve to retained earnings	-	-	(31)	-	31	-
Increase of share capital (Note 19)	82,295	-	-	-	-	82,295
Transfer to reserve capital	-	1,998	-	-	(1,998)	-
Transfer to other reserves	-	-	-	1,280	(1,280)	-
As at 31 December 2010	**494,217**	**24,655**	**32,337**	**13,810**	**32,234**	**597,253**

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:

First Vice President, Acting as President	Naglis Stancikas		10 March 2011
Chief Financial Officer	Jurgita Bliumin		10 March 2011

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
(LTL thousand)

	Notes	*Group* For the year ended 31 December 2010	*Group* For the year ended 31 December 2009	*Bank* For the year ended 31 December 2010	*Bank* For the year ended 31 December 2009
Operating activities					
Net result for the year after tax		(20,141)	(44,139)	9,933	8,690
Adjustments to reconcile net profit or loss to net cash provided by operating activities		**36,639**	**77,752**	**64,498**	**(20,499)**
Income tax (income) expenses		(4,258)	2,953	(3,647)	(160)
Unrealized foreign currency gains and losses		(26,638)	32,233	(20,069)	18,940
Revaluation of derivatives		(5,665)	(18,071)	(3,481)	(11,950)
Revaluation of property, equipment and investment property		(40,697)	6,125	(1,224)	3,255
Depreciation / amortization		31,224	26,937	17,426	14,139
Impairment of loans to customers		73,803	134,541	67,365	72,159
Provisions, net		-	(50)	-	765
(Gains) on sale of investments, net		-	(3,216)	-	(17,579)
Impairment of held-to-maturity investments and investment into subsidiaries		8,385	12,234	8,385	15,803
(Gains) on sale of conversion option and loans		-	(56,377)	-	(56,377)
(Gains) on purchase of own issued debt securities		-	(59,407)	-	(59,407)
(Gains) on sale of tangible assets, net		(390)	(150)	(257)	(87)
Share of loss of an associate		875	-	-	-
		16,498	**33,613**	**74,431**	**(11,809)**
Decrease (increase) in balances with banks		159,619	22,269	174,514	(10,805)
(Increase) decrease in loans to customers		(846,875)	16,483	(1,028,755)	96,914
(Acquisition) sale of held for trading securities		(99,018)	(56,970)	58,581	(69,252)
(Acquisition) sale of financial assets designated at fair value through profit or loss		(516,884)	(790,883)	(479,970)	(698,635)
Decrease (increase) in other assets		26,265	12,854	(6,204)	(18,372)
Increase (decrease) in deposits from credit institutions		100,167	(93,446)	186,851	(435,192)
Increase (decrease) in deposits from customers		1,959,740	599,104	1,352,358	1,088,786
(Decrease) increase in other liabilities		(22,238)	(6,300)	(874)	(7,391)
Income tax (paid)		(272)	(6,509)	-	(1,120)
Cash flows from (to) operating activities		**777,002**	**(269,785)**	**330,932**	**(66,876)**
Investing activities					
Cash (payments) to acquire tangible assets and investment property	8, 9, 10	(174,989)	(24,054)	(126,184)	(31,712)
Cash receipts from the sale of tangible assets and investment property		8,917	2,724	2,660	175
Cash (payments) to acquire intangible assets	11	(14,610)	(8,718)	(13,336)	(7,235)
Cash receipts from the sale of intangible assets		677	141	-	21
Cash (payments) for the investment in subsidiaries, net of cash acquired	31	(875)	(30,018)	(48,739)	(7,370)
Cash (payments) to acquire associates	32	(20,000)	-	-	-
Cash receipts from the disposal of associates, subsidiaries, net of cash disposed		-	25,323	-	16,350
Cash receipts from redemption of held-to-maturity investments		282,164	100,625	244,720	35,807
Cash (payments) to acquire held-to-maturity investments		(176,346)	(184,405)	(137,531)	(166,455)
Net cash flow (to) from investing activities		**(95,062)**	**(118,382)**	**(78,410)**	**(160,419)**
Financing activities					
Share capital increase		82,295	-	82,295	-
Issue of debt certificates (including bonds)		139,233	120,409	119,852	127,486
(Repayments) of debt certificates (including bonds)		(451,622)	(125,130)	(434,373)	(124,766)
Cash proceeds from the issuance of subordinated liabilities		-	80,892	-	51,118
Increase in share capital of subsidiaries		-	37,384	-	-
Net cash flow (to) from financing activities		**(230,094)**	**113,555**	**(232,226)**	**53,838**
Net (decrease) increase in cash and cash equivalents		451,846	(274,612)	20,296	(173,457)
Net foreign exchange difference		44,694	(12,994)	22,912	(8,430)
Cash and cash equivalents at beginning of the period		2,050,754	2,338,360	1,356,577	1,538,464
Cash and cash equivalents at end of the period	3	**2,547,294**	**2,050,754**	**1,399,785**	**1,356,577**
Interest received		353,607	451,825	225,735	274,912
Interest (paid)		(398,847)	(416,310)	(287,584)	(309,883)
Dividends received		111	8	4	11,367

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:

First Vice President, Acting as President	Naglis Stancikas		10 March 2011
Chief Financial Officer	Jurgita Bliumin		10 March 2011

(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 Bank's 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 256 operating outlets.

The Bank offers the following banking services: accepts deposits from individuals, issues loans, provides short-term trade financing, 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, other Baltic states and Russia.

	As at 31 December	
Shareholders (ordinary shares) of AB Bankas SNORAS	***2010, %***	***2009, %***
Mr. Vladimir Antonov, chairman of the Bank's Council	68.10	67.28
Mr. Raimondas Baranauskas, chairman of the Bank's Board	25.31	25.01
Other: number of shareholders / owned %	3,482/6.59	3,292/7.71
Total	**100.00**	**100.00**

	As at 31 December	
Shareholders (preference shares) of AB Bankas SNORAS	***2010, %***	***2009, %***
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	8.43
Mr. Algirdas Liudvikas Žilinskis	5.64	5.64
Other: number of shareholders / owned %	418/30.93	418/30.93
Total	**100.00**	**100.00**

As at 31 December 2010 the members of the Management Board controlled 120,066,895 shares or 25.32 % of the Bank (December 31 2009 - 98,035,867 shares or 25.01 % of the Bank).

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

Subsidiary	*Effective Ownership, %* 2010	*Effective Ownership, %* 2009	*Country*	*Principal activity*
UAB SNORO Lizingas (sub-group)	100 %	100 %	Lithuania	Consumer financing
UAB SNORAS distressed assets *(name changed from UAB Snoro rizikos kapitalo valdymas in 2010)*	100 %	100 %	Lithuania	Debt recovery
UAB SNORAS Investment Management *(name changed from UAB Snoro turto valdymas in 2010)* (sub-group)	100 %	100 %	Lithuania	Venture capital management
UAB Nekilnojamojo turto gama	51%	-	Lithuania	Real estate
UAB NT Panorama	51%	-	Lithuania	Real estate
UAB Stelita	51%	-	Lithuania	Real estate
UAB SNORAS Media *(name changed from UAB SNORO Media investicijos in 2010)*	100 %	100 %	Lithuania	Investment
UAB Dieveris	100 %	-	Lithuania	Real estate
UAB SNORO valda	100 %	100 %	Lithuania	Real estate
OU Real Estate Investment Management	85 %	-	Estonia	Real estate
UAB SNORAS Development *(name changed from UAB Vilniaus kapitalo vystymo projektai in 2010)*	50 %	50 %	Lithuania	Real estate
AB Finasta Holding (sub-group)	100 %	100 %	Lithuania	Investment
AB bankas Finasta	100 %	100 %	Lithuania	Investment banking
AS Pirmais Atklātais Pensiju Fonds	100 %	53.11 %	Latvia	Fund management
AB FMĮ Finasta	100 %	100 %	Lithuania	Financial brokerage
UAB Finasta Asset Management	100 %	100 %	Lithuania	Fund management
UAB FMĮ Snoras-Jūsų tarpininkas*	-	100 %	Lithuania	Financial brokerage
UAB Snoras Asset Management*	-	100 %	Lithuania	Fund management
IPAS Finasta Asset management Latvia	100 %	100 %	Latvia	Fund management
IPAS Finasta Asset management *(name changed from AS LKB Krājfondi in 2010)*	100 %	53.11 %	Latvia	Fund management
AS LKB Asset Management	100 %	53.11 %	Latvia	Fund management
AB Finasta Corporate Finance	100 %	100 %	Lithuania	Consulting
AB Finasta Įmonių Finansai*	-	100 %	Lithuania	Consulting
ZAO Finasta *(name changed from ZAO Snoras Capital Market in 2010)*	99.98 %	99.98 %	Russia	Fund management
Finasta Direct Investments Ltd	67 %	-	Honkong	Venture capital management

(cont'd on the next page)

(LTL thousand)

Subsidiary	Effective Ownership, % 2010	2009	Country	Industry
AS Latvijas Krājbanka (sub-group)	89 %	53.11 %	Latvia	Banking
SIA Krājinvestīcijas	89 %	53.11 %	Latvia	Real estate
SIA LKB M&A (*name changed from SIA LKB Collect in 2010)*	89 %	53.11 %	Latvia	Real estate
SIA LKB Drošība	89 %	53.11 %	Latvia	Security services
AAS LKB Life	89 %	52.99 %	Latvia	Insurance
SIA LKB Līzings	89 %	53.11 %	Latvia	Consumer financing
AS IBS Renesource Capital	89 %	53.11 %	Latvia	Financial brokerage
SIA Brīvības 38	89 %	-	Latvia	Real estate
SIA Jēkaba 2	89 %	-	Latvia	Real estate
SIA LKB Rīgas Ĩpašumi	89 %	-	Latvia	Real estate
SIA LKB Property	89 %	-	Latvia	Real estate

** reorganized – merged into other Group's companies*

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.

In 2010 year Bank founded 85 % controlled entity OU Real Estate Investment Management (Real estate management in Estonia) and acquired 100 % UAB Dieveris (Real estate management).

In 2010 UAB SNORAS Investment Management (name was changed from UAB Snoro Turto Valdymas in 2010) acquired 51 % UAB Nekilnojamojo turto gama shares, 51 % UAB NT Panorama shares and 51 % UAB Stelita shares. Companies' principal activity is real estate development, rent and sale.

In December 2010 AB Finasta Holding established subsidiary company Finasta Direct Investments Ltd, the company's principal activity is venture capital management. AB Finasta Holding owns 67% shares of Finasta Direct Investments Ltd. The management of all the investment assets of the Group is consolidated within AB Finasta Holding, according to the AB Bankas SNORAS Group strategy, so ensuring optimisation and development of the investment services offered by the Group on the Latvian and Lithuanian markets. While implementing this strategy, in year 2010 AS Latvijas Krājbanka sold all owned shares of AS LKB Krājfondi (subsequently name was changed to IPAS "Finasta Asset management"), AS LKB Asset Management to AB Finasta Holding. AB bankas Finasta bought all shares of AS Pirmais atklātais pensiju fonds owned by AS Latvijas Krājbanka.

In May 2010 AB Finasta Įmonių Finansai was reorganized into AB Finasta Holding and AB Finasta Corporate Finance.

In March 2010 UAB Snoras Asset Management was merged into UAB Finasta Asset Management. UAB Finasta Asset Management bought shares of UAB Snoras Asset Management from AB bankas SNORAS and UAB Snoro turto valdymas in December 2009.

In March 2010 UAB FMĮ Snoras-Jūsų tarpininkas was merged into AB FMĮ Finasta. AB FMĮ Finasta bought shares of UAB FMĮ Snoras-Jūsų Tarpininkas from UAB Snoro turto valdymas in December 2009.

During year 2009 AB Finasta Holding bought AB FMĮ Finasta (principal activity - financial brokerage), UAB Invalda Asset Management (subsequently name was changed to UAB Finasta Asset Management, principal activity - fund management), IPAS Finasta Asset management Latvia (principal activity - fund management), AB Finasta Įmonių Finansai (with subsidiary company AB bankas Finasta, principal activity - investment banking), ZAO Snoras Capital Market Limited (subsequently name was changed to ZAO Finasta).

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

During the year 2010 the Bank's interest in Latvian commercial bank AS Latvijas Krājbanka increased from 53.11% as at 31 December 2009 to 89 % as at 31 December 2010. In March 2010 the Bank acquired 31.96 % AS Latvijas Krâjbanka shares for 1 LVL from the major shareholder of the Bank and in September 2010 the Bank invested in AS Latvijas Krājbanka new share issue.

In 2010 AS Latvijas Krājbanka resolved to establish the following subsidiaries: SIA LKB Rīgas Ĩpašumi, SIA LKB Property, SIA Jēkaba 2, and SIA Brīvības 38. The companies are carring out management and administration of the real estate owned by AS Latvijas Krājbanka. These companies were established in order to optimise the activities of AS Latvijas Krājbanka by segregating the assets that are not related to the AS Latvijas Krājbanka core business operations.

(LTL thousand)

In year 2009 subsidiary of the Bank AS Latvijas Krājbanka founded 100 % controlled entity SIA LKB Collect (principal activity - cash collecting) and acquired 100 % AS IBS Renesource Capital (principal activity - financial brokerage).

On 30 June 2009 the Bank sold 10 % of UAB Vilniaus Kapitalo Vystymo Projektai (subsequently name was changed to UAB SNORAS Development) 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 the Bank maintained the control of a subsidiary.

UAB SNORAS Media Investicijos (subsequently name was changed to UAB SNORAS Media) 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.

As at 31 December 2010 the number of employees of the Group was 2,355 (2,327 as at 31 December 2009). As at 31 December 2010 the number of employees of the Bank was 1,130 (1,103 as at 31 December 2009).

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, 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 slow recovery 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 at 31 December 2010 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 subsidiary in Estonia maintain their records in Estonian Krones (EEK). 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 and the Bank has adopted the following new and amended IFRS and IFRIC interpretations during the year:

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

The principal effects of these changes are as follows:

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

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

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

(LTL thousand)

gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

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

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

Standards issued but not yet effective

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

Amendments to IFRS 7 *Financial instruments: Disclosures* (effective for financial years beginning on or after 1 July 2011, once adopted by the EU)
The amendment modifies disclosure requirements for certain transfers of financial assets. The amendment is not expected to have any impact on the financial statements since the Group and the Bank does not have these kinds of transfers.

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

Amendments to IAS 12 *Income Taxes* (effective for financial years beginning on or after 1 January 2012, once adopted by the EU).
The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. The Group and the Bank has not estimated yet the impact of the implementation of these changes.

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

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

Improvements to IFRSs
In May 2010 IASB issued omnibus of amendments to its standards. The amendments become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The adoption of the following amendments may result in changes to accounting policies but will not have any impact on the financial position or performance of the Group and the Bank:

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

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

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

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

(LTL thousand)

Subsidiaries

Subsidiaries 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 the 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

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Non-controlling interest is the interest in subsidiaries not held directly or indirectly by the Group. Non-controlling interest at the statement of financial position preparation 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. Non-controlling interest is presented within equity.

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

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 statement of financial position 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, 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.

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

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 consolidated and separate income statements 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.

(LTL thousand)

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 statement of financial position 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.

<u>Held to maturity investments</u>

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.

<u>Loans and receivables</u>

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

(LTL thousand)

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 at the reporting date and all amounts accrued for the unpaid amount.

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 statement of financial position 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.

(LTL thousand)

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.

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 statement of financial position 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 and Bank as a lessor

The Group presents assets subject to operating leases in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in income statement 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.

Starting from 1 January 2010 the standard income tax rate in Lithuania is 15 % (20 % in 2009).

(LTL thousand)

Tax losses in Lithuania can be carried forward for indefinite period (in Latvia for 8 years, Russia – 10 years, Estonia - 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.

In 2010 and 2009 the standard income tax rate in Latvia was 15 % and is based on the taxable profit reported for the taxation period. In 2010 and 2009 the standard income tax rate in Estonia for dividends was 21 %. In 2010 and 2009 the standard income tax rate in Russia was 20 % 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 statement of financial position preparation date.

The Group and the Bank in Lithuania, Latvia, Estonia and Russia 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 statement of financial position preparation 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 property

Investment property comprises completed property and property under development or re-development held to earn rentals or for capital appreciation or both. 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 statement of financial position preparation 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. Consequently, investment property under development is valued at fair value if it can be reliably determined. If a fair value cannot be reliably determined, then investment property under development is measured at cost less impairment. The fair value of investment property under development is either determined on the basis of the discounted cash flow or the residual methods. However, using either method to value investment property under development also requires considering the significant risks which are relevant to the development process, including but not limited to construction and letting risks.

When assessing whether the fair value of investment property under construction can be determined reliably the Group and the Bank considers, among other things, liquidity if the market, signing of the agreement with contractor, receive of required building and letting permits, percentage of are that has been pre-leased to tenants. If based on above considerations management of the Group and the Bank believes that fair value of investment property can‘t be reasonably evaluated it is being accounted at cost until either its fair value becomes reliably determinable or construction is completed (whichever comes earlier).

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 the 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.

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 statement of financial position preparation 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.

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.

(LTL thousand)

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.

(LTL thousand)

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 statement of financial position 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 statement of financial position preparation date only if they are declared before or on the statement of financial position date. Dividends are disclosed when they are proposed before the statement of financial position preparation date or proposed or declared after the statement of financial position preparation 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.

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

(LTL thousand)

in the preparation of the accompanying financial statements relate to evaluation of going concern, 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 statement of financial position preparation 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's and the Bank's management has made an assessment of the Group's and the Bank's ability to continue as a going concern and is satisfied that the Group and the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Groups and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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. In Note 34 for description of change in estimates on loan impairment is provided.

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 statement of financial position 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.

The fair value of investment property and investment property under development is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise of cost, comparable transactions and income approaches for investment property and discounted cash flow or the residual methods for investment property under development. The key judgments and assumptions used for valuing investment property are set out in Note 9 and for investment property under development - Note 8.

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.

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 statement of financial position preparation date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the income statement 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.

(LTL thousand)

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 statement of financial position items as at the year end were as follows (LTL units to currency unit):

	31 December 2010	31 December 2009
1 EUR*	3.4528	3.4528
1 USD	2.6099	2.4052
100 RUB	8.5535	7.9465
1 LVL**	4.8643	4.8679
1 GBP	4.0494	3.8247

**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 statement of financial position preparation 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 income statement.

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 35).

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 statement of financial position preparation 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	
	2010	2009	2010	2009
Cash at hand	183,807	171,023	132,786	119,263
Balances with the Central Banks	1,337,418	340,794	700,093	225,667
Current accounts with other credit institutions	767,885	1,190,847	436,985	838,212
Time deposits with credit institutions with initial maturity up to 90 days	258,184	348,090	129,921	173,435
Cash and cash equivalents	**2,547,294**	**2,050,754**	**1,399,785**	**1,356,577**

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 at 31 December 2010 and as at 31 December 2009. 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 at 31 December 2010 and as at 31 December 2009.

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	
	2010	2009	2010	2009
Treasury bills and bonds of the Republic of Lithuania	73,922	33,215	29,607	31,770
Other governments' debt securities	114,399	6,174	15,149	6,174
Corporate bonds	64,557	103,094	29,400	83,069
Corporate shares	7,444	750	368	141
Derivative financial instruments	13,061	24,193	5,953	13,049
Trading assets	**273,383**	**167,426**	**80,477**	**134,203**

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	
	2010	2009	2010	2009
Governments' debt securities	1,022,403	742,443	1,014,369	667,670
Corporate bonds	246,312	97,976	202,679	69,408
Shares and privatization certificates	3,731	890	-	-
Financial assets designated at fair value through profit and loss upon initial recognition	**1,272,446**	**841,309**	**1,217,048**	**737,078**
Total financial assets at fair value through profit or loss	**1,545,829**	**1,008,735**	**1,297,525**	**871,281**

The Group has financial assets held-for-trading pledged as collateral for repurchase agreements which comprise only corporate bonds as at 31 December 2010 and 31 December 2009.

(LTL thousand)

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

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

Group	*2010*			*2009*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Assets	*Liabilities*		*Assets*	*Liabilities*
Foreign exchange contracts						
Forwards and Swaps	3,173,894	4,300	3,090	1,645,416	14,692	2,014
SPOT transactions	1,969,761	7,904	3,788	1,386,837	8,378	4,108
Foreign exchange contracts total	**5,143,655**	**12,204**	**6,878**	**3,032,253**	**23,070**	**6,122**
Call options						
Equity linked options	19,854	857	518	99,527	1,123	-
FX linked options	69,056	-	-	-	-	-
Call options total	**88,910**	**857**	**518**	**99,527**	**1,123**	**-**
Total	**5,232,565**	**13,061**	**7,396**	**3,131,780**	**24,193**	**6,122**

Bank	*2010*			*2009*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Assets	*Liabilities*		*Assets*	*Liabilities*
Foreign exchange contracts						
Forwards and Swaps	3,130,114	4,471	2,386	1,324,580	11,926	1,098
SPOT transactions	828,683	1,143	86	26,643	-	-
Foreign exchange contracts total	**3,958,797**	**5,614**	**2,472**	**1,351,223**	**11,926**	**1,098**
Call options						
Equity linked options	13,207	339	-	99,527	1,123	-
FX linked options	69,056	-	-	-	-	-
Call options total	**82,263**	**339**	**-**	**99,527**	**1,123**	**-**
Total	**4,041,060**	**5,953**	**2,472**	**1,450,750**	**13,049**	**1,098**

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.

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		*Bank*	
	2010	*2009*	*2010*	*2009*
Lithuania	1,202	16,312	1,202	16,312
OECD	26,243	166,056	-	165,533
Russia	13,039	6,911	13,039	6,910
Latvia	5,761	16,585	-	-
Amounts due from credit institutions	**46,245**	**205,864**	**14,241**	**188,755**

(LTL thousand)

6. Loans to Customers, net

Loans to customers comprise:

	Group		Bank	
	2010	2009	2010	2009
Loans to customers	5,123,362	4,392,457	4,095,279	3,045,018
Credit lines	264,496	320,895	242,743	294,427
Financial lease	280,565	267,897	-	-
Reverse repurchase agreements	61,710	41,513	29,242	24,763
Factoring	18,260	7,329	18,163	7,030
Promissory notes	6,973	1,712	6,973	1,712
	5,755,366	**5,031,803**	**4,392,400**	**3,372,950**
Less: allowance for loan impairment (Note 13)	(258,567)	(187,060)	(171,971)	(103,164)
Loans to customers, net	**5,496,799**	**4,844,743**	**4,220,429**	**3,269,786**

During 2010 and 2009 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 at 31 December 2010 was LTL 74,550 thousand, the Bank's – LTL 20,724 thousand (Group – LTL 32,743 thousand, Bank – LTL 15,993 thousand as at 31 December 2009).

Loans have been issued to the following types of customers:

	Group		Bank	
	2010	2009	2010	2009
Corporate clients	3,873,755	3,260,544	3,373,885	2,420,802
Individuals	1,500,333	1,491,860	740,386	777,745
State budget or municipal authorities	41,849	42,122	41,565	41,355
State companies	34,545	110	34,515	110
Other	46,317	50,107	30,078	29,774
Loans to customers, net	**5,496,799**	**4,844,743**	**4,220,429**	**3,269,786**

Loans are issued within the following industry sectors:

	Group		Bank	
	2010	2009	2010	2009
Individuals	1,500,333	1,491,860	740,386	777,745
Real estate	975,358	1,024,391	732,641	612,275
Services	672,837	374,705	665,260	303,727
Transport	478,623	398,776	235,825	193,959
Trading	468,600	254,240	411,960	189,452
Manufacturing	459,871	416,054	322,480	276,950
Construction	394,372	250,047	195,700	172,897
Financial services	262,359	184,291	761,530	480,006
Agriculture, food processing, forestry	89,429	93,118	63,018	62,451
Electricity	43,856	25,459	22,286	21,000
Government and municipalities	32,363	21,342	32,012	20,521
Fuel, gas and chemical	6,723	5,458	778	-
Other	112,075	305,002	36,553	158,803
Loans to customers, net	**5,496,799**	**4,844,743**	**4,220,429**	**3,269,786**

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

	Group		Bank	
	2010	2009	2010	2009
Unpaid principal	5,573,146	4,951,986	4,224,215	3,303,384
Accrued and unpaid interest	193,133	93,945	172,374	72,571
Deferred (income)	(10,913)	(14,128)	(4,189)	(3,005)
(Allowance) for impairment loss	(258,567)	(187,060)	(171,971)	(103,164)
Loans to customers, net	**5,496,799**	**4,844,743**	**4,220,429**	**3,269,786**

(LTL thousand)

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

Finance lease

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

Group	Total gross investment		Present value of minimum lease payments receivables	
	2010	2009	2010	2009
Minimum lease payments receivables:				
Within one year	86,304	104,891	74,736	90,530
Between 1 and 5 years	168,488	108,468	163,301	107,357
More than 5 years	67,086	77,375	56,732	70,010
Total	321,878	290,734	294,769	267,897
Less: future revenue	(41,313)	(22,837)	-	-
Minimum finance lease payments before loss allowance	**280,565**	**267,897**	**294,769**	**267,897**
(Allowance) for impairment loss	(14,204)	(12,240)	(14,204)	(12,240)
The present value of minimum lease payments	**266,361**	**255,657**	**280,565**	**255,657**

7. Held-to-Maturity Financial Assets

Held-to-maturity financial assets comprise:

Group	*2010*		*2009*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	195,277	195,495	186,699	201,461
Government's bonds	69,571	68,816	183,133	186,114
Impairment (Note 13)	(42,259)	-	(33,039)	-
Held-to-maturity securities	**222,589**	**264,311**	**336,793**	**387,575**

Bank	*2010*		*2009*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Corporate bonds	189,824	189,599	160,073	161,768
Government's bonds	17,006	17,264	153,112	155,497
Impairment (Note 13)	(42,259)	-	(33,039)	-
Held-to-maturity securities	**164,571**	**206,863**	**280,146**	**317,265**

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

Group	*2010*		*2009*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	2.95 - 9.75	2008 - 2013	1.78 - 5.27	2008 - 2015
Government's bonds	0.85 - 5.9	2011 - 2018	3.75	2010 - 2014

Bank	*2010*		*2009*	
	%	*Maturity*	*%*	*Maturity*
Corporate bonds	0.57 - 5.27	2008 - 2012	1.78 - 5.27	2008 - 2010
Government's bonds	3.75	2011	3.75	2010 - 2011

The Group's and the Bank's fair value of held-to-maturity financial instruments amounted to LTL 223,530 thousand and LTL 164,766 thousand as at 31 December 2010, respectively (LTL 320,619 thousand and LTL 264,663 thousand as at 31 December 2009, respectively) (Note 35).

In 2010 the Bank's management based on estimate recognised impairment of held-to-maturity securities in amount of LTL 8,385 thousand (in 2009 – LTL 12,234 thousand) in the income statement (Note 13).

The Group's and the Bank's interest income earned on held-to-maturity securities in 2010 amounted to LTL 11,390 thousand and LTL 6,035 thousand, respectively (in 2009 – LTL 19,474 thousand and LTL 10,465 thousand, respectively) (Note 23).

(LTL thousand)

8. Investment Property under Development

Investment properties under development stated at fair value amounted to LTL 102,168 thousand as at 31 December 2010 (LTL 11,710 thousand as at 31 December 2009), at cost amounted to LTL 56,513 thousand as at 31 December 2010 (zero as at 31 December 2009). Fair value of investment property under development has been determined based on valuation performed by certified, independent appraisers as at 31 December 2010 and as at 31 December 2009. More detailed information on major assumptions used in estimation of fair value is disclosed below.

	Group		*Bank*	
	2010	*2009*	*2010*	*2009*
Opening balance as at 1 January	11,710	101,652	-	-
Capital expenditure	6,614	420	-	-
Customer collateral taken over*	54,655	-	-	-
Disposals emerged from sale of subsidiary company	-	(90,362)	-	-
Additions emerged with the acquisition of subsidiary companies (Note 31)	56,297	-	-	-
Net gain (loss) from a fair value adjustment	29,405	-	-	-
Closing balance as at 31 December	**158,681**	**11,710**	**-**	**-**

* In 2010, mainly the real estate pledged for the loan by a customer, i.e., a building and land in St. Petersburg, was taken over through an auction in amount of LTL 54,655 thousand. The property was initially recognised at the auction price. After the takeover, an international valuation company has been engaged to define the fair value of the real estate. The valuation has been performed based on residual method for estimating fair value of the property. The valuation is complex and judgmental as this investment property is at the early stage of development. This method deducts costs of construction, finance and anticipated profit (as percentage of cost) from an exit value i.e., the gross development value of the completed project. The valuation contained the following main assumptions: discount rate of 10.3% - 14.5%, income increase rate of 27% and the planned development project completion until 2013. The assumptions made by appraisers can have a significant impact on the value of the property.

The table below presents the sensitivity of gain (loss) before tax due to change in assumptions. The sensitivities presented are unfavourable movements. If the sensitivity variables were favourable, the positive impact on profit would be of a similar magnitude:

% of change	**2010**	**2009**
Increase of 25 bp in yield	1.5%	-
Increase of 5% in construction costs	6.1%	-
Decrease of 5% in estimated rental income	10.3%	-
Decrease of 1% in estimated project development profit	1.2%	-

The difference between the auction price and the fair value has been recognised in the income statement as an income from the investment property revaluation amounting to LTL 29,405 thousand. Also, there are some interested parties to take over this investment project at current stage of development.

9. Investment Property

	Group		*Bank*	
	2010	*2009*	*2010*	*2009*
Opening balance as at 1 January	65,428	70,071	-	-
Additions	36,806	4,835	113,460	-
Additions emerged with the acquisition of subsidiary companies (Note 31)*	175,910	-	-	-
Transfer from (to) the property / other assets	30,790	(7,337)	17,550	-
Customer collateral taken over	20,833	-	-	-
Sale	(5,415)	(1,369)	-	-
Net gain (loss) from a fair value adjustment	13,184	(772)	-	-
Closing balance as at 31 December	**337,536**	**65,428**	**131,010**	**-**

* Investment property consist of "A class" offices buildings in the centre of Vilnius.

Investment properties are stated at fair value as at 31 December 2010 and as at 31 December 2009, which has been determined based on valuation performed by certified, independent appraisers. 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. The methods employed included cost, comparable transaction and income approaches. For the discounted cash flow method, major assumptions relate to the discount rate, vacation rate and annual growth of rental rate. Depending on the location of an investment property, the average range of major assumptions is as follows:

	Lithuania	**Latvia**
Discount rate (%)	9 %	10 - 14 %
Annual growth of rental rates (%)	2 - 7 %	3 - 5 %
Long term vacancy rate (%)	3 - 5 %	3 - 5 %

(LTL thousand)

9. Investment property (Cont'd)

Part of investment property owned by the Bank as at 31 December 2010 is used for the own purpose of the Group, thus it is disclosed under property and equipment caption and accounted at a revalued amount in consolidated accounts of the Group (Note 10).

In 2010, rental income derived by the Group from investment properties amounting to LTL 7,148 thousand (by the Bank – LTL 2,348 thousand) was charged to profit (zero as at 31 December 2009). Expenses related to investment properties mostly represents utilities, repair and maintenance of premises and real estate tax paid into the state budget. Expenses incurred by the Group of LTL 3,366 thousand (zero by the Bank) were charged to profit or loss in 2010 (zero as at 31 December 2009).

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 2009	**150,084**	**132,138**	**12,387**	**3,011**	**297,620**
Additions	116,147	8,201	2,511	4,710	131,569
Additions emerged with the acquisition of subsidiary companies (Note 31)	1,250	-	-	-	1,250
Movements to Investment property	(15,054)	-	-	(2,496)	(17,550)
Revaluation	(2,067)	-	-	-	(2,067)
Movements	2,607	19	-	(2,626)	-
Disposals and write-offs	(6,115)	(6,473)	(1,284)	-	(13,872)
31 December 2010	**246,852**	**133,885**	**13,614**	**2,599**	**396,950**
Accumulated depreciation					
31 December 2009	**3,969**	**53,753**	**5,872**	**-**	**63,594**
Depreciation charge for the year	3,588	17,388	1,748	-	22,724
Foreign exchange movements	44	88	-	-	132
Disposals and write-offs	(3,041)	(6,930)	(789)	-	(10,760)
31 December 2010	**4,560**	**64,299**	**6,831**	**-**	**75,690**
Net book value:					
31 December 2009	**146,115**	**78,385**	**6,515**	**3,011**	**234,026**
31 December 2010	**242,292**	**69,586**	**6,783**	**2,599**	**321,260**

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 (Note 31)	-	3,237	-	-	3,237
Revaluation	(9,876)	-	-	-	(9,876)
Movements	807	-	-	(807)	-
Disposals and write-offs	(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
Disposals and write-offs	(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**

*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 2009	**91,354**	**80,379**	**10,733**	**3,011**	**185,477**
Additions	1,914	4,107	1,993	4,710	12,724
Revaluation	1,224	-	-	-	1,224
Movements to Investment property	(15,054)	-	-	(2,496)	(17,550)
Movements	2,607	19	-	(2,626)	-
Disposals and write-offs	(2,438)	(2,998)	(548)	-	(5,984)
31 December 2010	**79,607**	**81,507**	**12,178**	**2,599**	**175,891**
Accumulated depreciation					
31 December 2009	**442**	**38,750**	**5,581**	**-**	**44,773**
Depreciation charge for the year	2,373	9,667	1,297	-	13,337
Disposals and write-offs	(266)	(2,882)	(433)	-	(3,581)
31 December 2010	**2,549**	**45,535**	**6,445**	**-**	**54,529**
Net book value:					
31 December 2009	**90,912**	**41,629**	**5,152**	**3,011**	**140,704**
31 December 2010	**77,058**	**35,972**	**5,733**	**2,599**	**121,362**

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 and write-offs	(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 and write-offs	(2,394)	(7,273)	-	-	(9,667)
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**

*Revalued amounts for buildings.

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

As at 31 December 2010 owner occupied buildings of the Group and the Bank are accounted for at the fair value. On 31 December 2009 the Bank and the Group revalued major part of buildings. The revaluation was performed by independent property appraisals. The revaluation of buildings was performed on the market value basis. In year 2010 no significant fluctuations in market prices were noted (except for buildings which were transferred to investment property caption). If buildings of the Group and the Bank were carried at cost, carrying value of those assets would have been LTL 204,590 thousand and LTL 55,159 thousand as at 31 December 2010, respectively (LTL 113,335 thousand and LTL 71,836 thousand as at 31 December 2009, respectively).

(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 2009	**11,683**	**8,268**	**6,071**	**35,994**	**10,305**	**72,321**
Additions	-	-	-	14,610	-	14,610
Write-offs and disposals	(169)	-	(45)	(838)	(172)	(1,224)
31 December 2010	**11,514**	**8,268**	**6,026**	**49,766**	**10,133**	**85,707**
Accumulated amortisation and impairment						
31 December 2009	**903**	**4,756**	**-**	**12,359**	**752**	**18,770**
Charge for the year	1,189	1,112	180	6,019	-	8,500
Foreign exchange movements	-	-	-	(8)	(30)	(38)
Write-offs and disposals	-	-	-	(547)	-	(547)
31 December 2010	**2,092**	**5,868**	**180**	**17,823**	**722**	**26,685**
Net book value:						
31 December 2009	**10,780**	**3,512**	**6,071**	**23,635**	**9,553**	**53,551**
31 December 2010	**9,422**	**2,400**	**5,846**	**31,943**	**9,411**	**59,022**

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
Write-offs and 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
Write-offs and 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**

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 14.6 %;
- *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 5 % for the each year.

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 in 2010 is equal to 11.1% (18% in 2009);
- *Growth rate estimates.* The estimated growth of cash-generating units was assessed according the planned future results. The growth rates are equal to - 218%, 95% and 11% for the years 2012, 2013 and 2014 respectively. Growth rates for 2015 – 2020 equals to 4%. Significantly higher growth rates than the market's average expected growth rates are applied due to AB Finasta Holding companies' products restructure and reprising in 2010. AB Finasta Holding companies' goals are to increase credit portfolio, start debt securitization activity, increase assets under management by 70% in 2011, reallocate client's assets to taxable products, enlarge AB Finasta Holding companies' sales channels, launch private equity business, as well as to develop retail leverage products and institutional clients' network for brokerage activity. Required fund rising will be performed by bond emissions, deposits and interbank loans. In 2011 it is planned to increase AB Finasta Holding share capital. Actual figures of the last quarter of 2010 proved that growth rate estimates are reasonable.

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 Bank's movements in intangible assets were as follows:

Bank	*Licences and computer software*	*Total*
Cost		
31 December 2009	**21,513**	**21,513**
Additions	13,336	13,336
Write-offs and disposals	(144)	(144)
31 December 2010	**34,705**	**34,705**
Accumulated amortisation and impairment		
31 December 2009	**7,792**	**7,792**
Charge for the year	4,089	4,089
Write-offs and disposals	(144)	(144)
31 December 2010	**11,737**	**11,737**
Net book value:		
31 December 2009	**13,721**	**13,721**
31 December 2010	**22,968**	**22,968**

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**

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

(LTL thousand)

12. Taxation

	Group 2010	Group 2009	Bank 2010	Bank 2009
Current income tax expense	(476)	(366)	-	-
Correction of prior year income tax	719	2,081	-	2,081
Change in deferred income tax	4,015	(4,668)	3,647	(1,921)
Income tax income (expenses)	**4,258**	**(2,953)**	**3,647**	**160**
Components of deferred income tax				
Deferred income tax assets				
Revaluation of property and equipment	304	488	304	488
Impairment of financial assets	5,225	4,446	-	-
Deferred administration fee	1,147	1,198	-	-
Tax loss carry forward	11,399	12,562	3,088	6,459
Other deferred tax asset items	401	590	-	-
Total deferred income tax assets	**18,476**	**19,284**	**3,392**	**6,947**
Less: valuation allowance	(5,845)	(10,905)	-	(6,459)
Deferred income tax assets, net	**12,631**	**8,379**	**3,392**	**488**
Deferred income tax liabilities				
Revaluation of property and equipment and investment properties	(5,942)	(9,409)	(3,843)	(3,859)
Investment incentive	(904)	(985)	(904)	(985)
Revaluation of derivative instruments	(1,107)	(1,619)	(522)	(1,619)
Capitalised VAT	(1,997)	(1,545)	(1,902)	(1,467)
Deferred commission expenses	(234)	(66)	-	-
Fair value step-ups of intangible assets	(1,961)	(2,340)	-	-
Total deferred income tax liabilities	**(12,145)**	**(15,964)**	**(7,171)**	**(7,930)**
Deferred income tax, net	**486**	**(7,585)**	**(3,779)**	**(7,442)**
Presented as:				
Deferred income tax asset	6,382	5,202	-	-
Deferred income tax liability	(5,896)	(12,787)	(3,779)	(7,442)
Deferred income tax, net	**486**	**(7,585)**	**(3,779)**	**(7,442)**
Deferred tax change, recognised				
Income (expenses) recorded through profit or loss	4,015	(4,668)	3,647	(1,921)
Assets emerged with acquisition of subsidiaries	1,602	4,097	-	-
Income recorded through equity	2,454	4,988	16	2,392
Net deferred tax change	**8,071**	**4,417**	**3,663**	**471**

The Bank in 2010 has generated taxable profit which was offset against incurred taxable loss in year 2009. This taxable loss 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.

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The Group's and the Bank's tax losses carried forward in 2010 amounted to LTL 75,993 thousand and LTL 20,587 thousand, respectively (in 2009 - LTL 83,747 thousand and LTL 43,060 thousand, respectively). The deferred tax assets recognised at 31 December 2010 have been based on profitability activity assumptions over five year horizon. The expected future taxable profits are based on business plan assumptions taking into consideration uncertainties arising from the current adverse economic environment. If the business plan earnings and assumptions in following years substantially deviate from the current assumptions, the amount of existing deferred tax assets may need revision.

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.

(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*	
	2010	*2009*	*2010*	*2009*
Income tax calculated at a statutory 15 % tax rate (2009 – 20%)	3,660	8,237	(943)	(1,706)
Permanent differences	(5,230)	(7,235)	(1,869)	3,763
Effect of different tax rates in other countries	49	147	-	-
Prior year income tax correction	719	2,081	-	2,081
Change in valuation allowance	5,060	(8,711)	6,459	(6,459)
Effect of change in tax rate	-	2,528	-	2,481
Total income tax income (expenses)	**4,258**	**(2,953)**	**3,647**	**160**

13. Credit Loss Expenses and Impairment Losses

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

	Group		*Bank*	
	2010	*2009*	*2010*	*2009*
Charge	82,188	153,897	75,750	93,941
Recoveries of previously written-off loans	(1,461)	(7,122)	(433)	(5,979)
As reported in income statement	**80,727**	**146,775**	**75,317**	**87,962**

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

	Group	*Bank*
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**
Charge for loans	101,116	67,365
Charge for held to maturity bonds	8,385	8,385
Reversal of impairment losses for loans	(27,313)	-
Write-offs for loans	(3,748)	-
Effect of changes in currency rates for held to maturity bonds	835	835
Effect of changes in currency rates for loans	1,452	1,442
31 December 2010	**300,826**	**217,799**

The allowances for impairment made for individually impaired financial assets of the Group at 31 December 2010 amounts to LTL 222,357 thousand, the Bank – LTL 153,383 thousand (in 2009 – LTL 164,154 thousand, LTL 99,316 thousand, respectively). Collective impairment of the Group as at 31 December 2010 amounts to LTL 78,469 thousand, the Bank – LTL 64,416 thousand (in 2009 – LTL 55,945 thousand, LTL 40,456 thousand, respectively).

(LTL thousand)

13. Credit Loss Expenses and Impairment Losses (Cont'd)

A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:

Group

	Loans to customers	Credit lines	Financial lease	Reverse repurchase agreements	Promissory notes	Total
31 December 2008	**46,859**	**14,650**	**11,483**	**675**	**298**	**73,965**
Charge for loans	111,719	24,461	5,145	14	324	**141,663**
Write-offs for loans	(22,048)	-	(4,388)	-	-	**(26,436)**
Effect of changes in currency rates for loans	(2,132)	-	-	-	-	**(2,132)**
31 December 2009	**134,398**	**39,111**	**12,240**	**689**	**622**	**187,060**
Charge for loans	80,461	16,359	4,058	-	238	**101,116**
Reversal of impairment losses	(27,313)	-	-	-	-	**(27,313)**
Write-offs for loans	(1,654)	-	(2,094)	-	-	**(3,748)**
Effect of changes in currency rates for loans	1,452	-	-	-	-	**1,452**
31 December 2010	**187,344**	**55,470**	**14,204**	**689**	**860**	**258,567**

Bank

	Loans to customers	Credit lines	Reverse repurchase agreements	Promissory notes	Total
31 December 2008	**12,366**	**11,708**	**675**	**298**	**25,047**
Charge for loans	56,830	20,970	14	324	**78,138**
Write-offs for loans	(16)	-	-	-	**(16)**
Effect of changes in currency rates for loans	(5)	-	-	-	**(5)**
31 December 2009	**69,175**	**32,678**	**689**	**622**	**103,164**
Charge for loans	50,808	16,319	-	238	**67,365**
Effect of changes in currency rates for loans	1,442	-	-	-	**1,442**
31 December 2010	**121,425**	**48,997**	**689**	**860**	**171,971**

(LTL thousand)

14. Other Assets and Other Liabilities

Other assets comprise:

	Group		*Bank*	
	2010	*2009*	*2010*	*2009*
Other assets				
Collaterals taken for realisation	116,325	70,797	52,803	42,670
Prepayments	21,645	32,996	16,447	14,707
Deffered expenses	13,538	-	8,688	893
Assets held for sale*	-	20,804	-	-
Various receivables	10,945	15,813	423	6,165
Supplies for operations	14,095	15,638	11,397	13,015
Receivable from remuneration for the provided financial services (Note 24)	-	11,975	-	-
Receivable from sale of subsidiary	-	4,693	-	-
Transit accounts	4,453	3,376	3,584	2,344
Other assets	12,204	15,883	2,495	2,549
Total other assets	**193,205**	**191,975**	**95,837**	**82,343**

* AS Latvijas Krājbanka 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, AS Latvijas Krājbanka will be entitled to exercise its contractual rights to impose a penalty repeatedly. In addition, AS Latvijas Krājbanka 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 AS Latvijas Krājbanka 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 valuation of the yacht was performed by international valuation company, which arrived at an estimated fair value of LTL 22,614 thousand. In the financial statements for the year ended 31 December 2009, 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 AS Latvijas Krājbanka, i.e. LTL 20,804 thousand. By taking over the collateral, the AS Latvijas Krājbanka 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 AS Latvijas Krājbanka of LTL 195 thousand. However, as at 31 December 2010, the yacht was not yet sold and therefore the criteria of 12 month sale according IFRS 5 was not met. Given current circumstances the management has resolved to reclassify this asset to collateral taken over for realisation under other assets in the statement of financial position as at 31 December 2010.

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

Other liabilities comprise:

	Group		*Bank*	
	2010	*2009*	*2010*	*2009*
Other liabilities				
Various payables	35,672	15,385	3,675	2,867
Accrued expenses	19,778	14,162	6,887	3,106
Advances received	8,535	5,520	456	5,228
Life insurance technical reserves	3,740	2,220	-	-
Transit accounts	1,704	1,481	837	924
Deferred income	1,755	1,392	750	593
Dealings with the pension plans, investment funds	-	852	-	-
Other	9,846	12,303	1,343	2,184
Total other liabilities	**81,030**	**53,315**	**13,948**	**14,902**

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 at the reporting date.

(LTL thousand)

15. Subordinated loans

As at 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 at 31 December 2010 the outstanding amount of these subordinated loans, including accrued interest, amounted to LTL 51,878 thousand (as at 31 December 2009 – LTL 51,815 thousand).

As at 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 at 31 December 2010 the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 69,612 thousand (LTL 69,596 thousand in 2009). 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 at 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 29,694 thousand (EUR 8,600 thousand) with term of 10 years and 9.5 % interest rate. On 22 July 2010, the Bank's subsidiary AS Latvijas Krājbanka have signed cession agreement with Bank's controlling shareholder and SIA Warmut Latvia according which new provider of subordinated loan SIA Warmut Latvia was agreed. As at 31 December 2010 the outstanding amount of subordinated loan, including accrued interest, amounted to LTL 29,408 thousand (LTL 30,253 thousand as at 31 December 2009).

As at 31 December 2010 the Bank's subsidiary's AS Latvijas Krājbanka had two subordinated loans from Akademgrupp. The outstanding subordinated loans were LTL 27,203 thousand (LTL 24,825 thousand as at 31 December 2009). 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.

As at 31 December 2010, the Bank's subsidiary AS Latvijas Krājbanka outstanding subordinated loan from Convers Group Management Company amounted to LTL 18,808 thousand (LTL 18,819 thousand as at 31 December 2009). The debt amounting to EUR 5,5 million 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 in accordance with the procedure specified in the contract and the applicable laws. On 16 October 2008 the parties agreed to prolong repayment term for 10 years and changed interest rate to 10 % per annum starting from 17 October 2008. On 30 November 2010, the subordinated loan maturity was extended to 15 years based on the additional agreement between the parties.

According to the provisions of the above-mentioned contracts, the lender has a the right to demand early repayment of the loan only upon liquidation of the Bank, and the lender's claim will be settled after the claims of all other creditors but before the claims of the Bank's shareholders.

16. Amounts Due to Credit Institutions

Amounts due to credit institutions comprise:

	Group		*Bank*	
	2010	***2009***	***2010***	***2009***
Time deposits and loans	401,939	247,498	249,924	173,092
Current accounts	115,224	6,030	115,743	5,724
Amounts due to credit institutions	**517,163**	**253,528**	**365,667**	**178,816**

(LTL thousand)

17. Amounts Due to Customers

The amounts due to customers include the following:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Time deposits	6,019,575	5,239,115	4,141,671	3,616,884
Current accounts	3,352,279	2,140,604	2,204,891	1,377,320
Amounts due to customers	**9,371,854**	**7,379,719**	**6,346,562**	**4,994,204**

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

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Individuals	5,903,787	5,149,096	4,201,984	3,610,962
Corporate clients	2,766,103	1,777,631	1,860,164	1,269,762
State budget or municipal authorities	492,196	390,857	114,713	60,401
State companies	164,023	36,701	144,392	36,701
Other	45,745	25,434	25,309	16,378
Amounts due to customers	**9,371,854**	**7,379,719**	**6,346,562**	**4,994,204**

An analysis of customer accounts by sector is as follows:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Individuals	5,903,787	5,149,096	4,201,984	3,610,962
Services	837,137	418,842	824,719	409,136
Trade	608,123	438,442	608,123	438,442
Insurance	267,508	160,193	154,471	134,134
Public management	103,173	11,588	48,144	11,588
Transport and communication	91,747	64,257	91,747	64,257
Constructions	85,952	57,447	82,674	57,447
Real estate	71,945	34,625	55,268	34,625
Manufacturing	56,400	50,448	56,400	50,448
Agriculture	53,017	26,798	52,755	26,798
Security brokers	28,617	4,184	4,546	4,184
Construction of equipment	12,245	17,230	12,245	17,230
Metallurgy	1,359	767	1,359	767
Fuel	7	93	7	93
Other	1,250,837	945,709	152,120	134,093
Amounts due to customers	**9,371,854**	**7,379,719**	**6,346,562**	**4,994,204**

As at 31 December 2010 the Group and the Bank had deposits from one customer amounting to LTL 199 million (as at 31 December 2009 the Group - LTL 147 million, the Bank - LTL 117 million).

(LTL thousand)

18. Debt Securities Issued

As at 31 December 2010 the Bank had the debt securities issued with the amortized cost in amount of LTL 205,175 thousand (as at 31 December 2009 - LTL 519,696 thousand) out of which were debt securities of LTL 84,911 thousand (as at 31 December 2009 – LTL 505,907 thousand) and certificates of deposits of LTL 120,264 thousand (as at 31 December 2009 – 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 RDX1	LT1000403683	2008.03.17	2011.03.31	-	EUR	388
SNORAS RDX1 Plius	LT1000403691	2008.03.17	2011.03.31	-	EUR	889
SNORAS RDX2	LT1000403709	2008.03.17	2011.03.31	-	USD	639
SNORAS RDX2 Plius	LT1000403717	2008.03.17	2011.03.31	-	USD	336
SNORAS RDX3	LT0000430498	2008.03.17	2011.03.31	-	LTL	456
SNORAS RDX3 Plius	LT0000430506	2008.03.17	2011.03.31	-	LTL	490
SNORAS Energetika1	LT1000403808	2008.07.14	2011.07.27	-	EUR	1,216
SNORAS Energetika1 Plius	LT1000403816	2008.07.14	2011.07.27	-	EUR	1,736
SNORAS Energetika2	LT1000403824	2008.07.14	2011.07.27	-	USD	771
SNORAS Energetika2 Plius	LT1000403832	2008.07.14	2011.07.27	-	USD	1,589
SNORAS Energetika3	LT0000430605	2008.07.14	2011.07.27	-	LTL	755
SNORAS Energetika3 Plius	LT0000430613	2008.07.14	2011.07.27	-	LTL	1,674
SNORAS Neterminuoti skolos VP*	LT1000410019	2009.08.31	-	8.0 %	EUR	73,972
Debt securities issued						**84,911**

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

On 21 May 2010, the AB bankas SNORAS redeemed the Bank's issued Eurobonds, nominal value – EUR 175 million, issued in 2007.

As at 31 December 2010 the Group had the debt securities issued with the amortised cost in amount of LTL 217,481 thousand (as at 31 December 2009 - LTL 529,870 thousand). As at 13 October 2010 the Bank's subsidiary AB bankas Finasta has issued three emissions of debt securities linked to the euro zone bank equity index „EURO STOXX® Banks". Yield of debt securities linked to the euro zone bank equity index „EURO STOXX® Banks" depends on share prices of eurozone banks. Below the summary of debt securities issued is presented:

Title	ISIN code	Issue date	Maturity date	Fixed interest rate	Currency	Amortized cost (LTL thousand)
Finasta EURO STOXX Banks 1	LT1000430132	2010.10.18	2013.10.17	-	EUR	10,408
Finasta EURO STOXX Banks 2	LT1000430140	2010.10.18	2013.10.17	-	EUR	1,824
Finasta EURO STOXX Banks 3	LT0000431124	2010.10.18	2013.10.17	-	LTL	160
Debt securities issued						**12,392**

Part of bond value, related to euro zone bank equity index option, amounting to LTL 518 thousand is recognised as a liability from financial derivatives (Note 4).

On 29 January 2010, in accordance with the terms set out in the CA Series Mortgage Bonds Prospectus of AS Latvijas Krājbanka, CA series mortgage bonds were redeemed for the total amount of LTL 17,264 thousand (EUR 5 million).

19. Equity

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

Bank

Calculation of weighted average for 2010	Number of shares	Par value	Issued / 365 (days)	Weighted average of ordinary shares
Ordinary shares issued as at 31 December 2009	391,922,567	1	365/365	391,922,567
New ordinary shares emission 10 August 2010	82,294,540	1	143/365	32,241,422
Shares issued as at 31 December 2010	**474,217,107**	**1**	**365/365**	**424,163,989**

Bank

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

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 at 31 December 2010 and 2009 all shares were fully paid.

(LTL thousand)

19. Equity (Cont'd)

Nature and purpose of reserves

Revaluation reserve of property and equipment

The revaluation reserve of 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.

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.

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.

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.

20. Earnings per Share

	Group	
	2010	*2009*
Net (loss) attributable to equity holders of the parent	(11,800)	(33,605)
Dividends attributable to preferred shares	-	-
(Loss) attributable to ordinary shares	(11,800)	(33,605)
Weighted average number of ordinary shares as at 31 December (thousand)*	424,164	391,923
Basic and diluted earnings per ordinary share (LTL)	**(0.03)**	**(0.09)**

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.

Management has prepared the project profit appropriation, which excludes dividends for 2010 (Note 38).

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*	
	2010	*2009*	*2010*	*2009*
Dividends paid on preference shares	-	-	-	-
Dividends paid on ordinary shares	-	-	-	-
Total dividends paid	**-**	**-**	**-**	**-**
Number of preference shares (thousand)	2,000	2,000	2,000	2,000
Weighted average number of ordinary shares as at 31 December (thousand)	424,164	391,923	424,164	391,923
Dividends per preference share (LTL)	**-**	**-**	**-**	**-**
Dividends per ordinary share (LTL)	**-**	**-**	**-**	**-**

(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.

On 24 April 2008, Bank's subsidiary AS Latvijas Krājbanka signed an agreement with AS Parex banka on the acquisition of the shares in AP Anlage & privatbank AG. Considering that the circumstances giving rise to the Bank's duty to carry out the actions to close the transaction had not become effective until the date of the transaction, on 23 October 2009 the Bank filed to AS Parex banka a notice of dispute demanding repayment of the amount of EUR 5,000,000 paid. Based on the above notice, AS Parex banka has repaid part of the advance payment of EUR 3,000,000 plus interest accrued thereon. AS Parex banka has not repaid the balance of EUR 2,000,000 and sent AS Latvijas Krājbanka a notice announcing its unilateral withdrawal from the agreement. The parties have failed to reach an agreement on the repayment of the above balance and AS Latvijas Krājbanka has filed to the London Court of International Arbitration an arbitration application to consider the dispute between AS Latvijas Krājbanka and AS Parex banka regarding the repayment of EUR 2,000,000 and the payment of interest charged pursuant to the escrow account agreement in the amount of EUR 139,761. The above amounts have not been impaired on 31 December 2010.

Financial commitments and contingencies

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

	Group		***Bank***	
	2010	***2009***	***2010***	***2009***
Credit related commitments				
Credit commitments	350,273	274,954	282,331	248,062
Issued guarantees	123,687	59,460	94,265	68,450
Letter of credit	230	5,135	230	5,135
Total credit related commitments	**474,190**	**339,549**	**376,826**	**321,647**

Operating lease commitments – Group and Bank as lessee

The Bank and the Group have 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 non-cancellable operating leases at 31 December are as follows:

	Group		***Bank***	
	2010	***2009***	***2010***	***2009***
Within one year	2,655	2,719	153	324
After one year but not more than five years	11,077	7,495	28	1,359
More than five years	4,322	5,588	-	-
Total	**18,054**	**15,802**	**181**	**1,683**

Operating leases – Group and Bank as lessor

The Bank and the Group act as lessor of investment property. These leases have an average life of between three and five years with renewal option included in the contracts.

Future minimum rentals under non–cancellable operating leases as at 31 December are as follows:

	Group		***Bank***	
	2010	***2009***	***2010***	***2009***
Within one year	12,542	-	6,629	-
After one year but not more than five years	67,514	-	26,517	-
More than five years	69,364	-	74,975	-
Total	**149,420**	**-**	**108,121**	**-**

(LTL thousand)

23. Interest revenue and expenses

Net interest income:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
On loans to customers	413,541	450,361	296,083	291,856
On financial assets at fair value through profit or loss	28,218	13,877	16,680	6,853
On amounts due from credit institutions	14,389	21,627	11,112	18,775
On held-to-maturity investments	11,390	19,474	6,035	10,465
On placements with central bank	3,986	2,884	1,143	1,147
Interest revenue	**471,524**	**508,223**	**331,053**	**329,096**
On amounts due to customers	291,103	354,718	192,714	256,877
Deposit insurance expenses	30,533	23,160	24,569	18,922
On debt securities issued	21,274	37,767	21,706	37,295
On amounts due to credit institutions	12,652	19,769	7,736	7,954
On subordinated loans	10,247	8,977	3,184	4,005
Interest expenses	**365,809**	**444,391**	**249,909**	**325,053**
Net interest income	**105,715**	**63,832**	**81,144**	**4,043**

The Group's and the Bank's interest income earned on impaired loans during 2010 was accordingly LTL 79,168 thousand and LTL 77,136 thousand (LTL 46,153 thousand and LTL 30,683 thousand in 2009, respectively).

The Group and the Bank hadn't interest income earned on impaired investment held to maturity during 2010 and 2009.

24. Net Fee and Commission Income

Net fee and commission income comprises:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Payment card servicing	46,365	36,901	20,655	18,950
Settlement operations	25,493	23,763	17,600	16,351
Income from rent	3,458	1,068	278	274
Cash collection	9,739	10,686	7,968	8,704
Securities' operations	6,356	3,075	1,286	769
Commissions for other payments	5,089	7,063	4,375	6,821
Collection of payments	4,667	4,159	6,210	6,483
Currency exchange operations	4,214	5,304	3,801	4,830
Guarantees and letters of credit	3,133	3,255	970	772
Other income	20,764	14,716	7,848	6,162
Fee and commission income	**129,278**	**109,990**	**70,991**	**70,116**
Fee income for financial and advisory services *	**25,535**	**23,950**	**25,535**	**-**
Payment card servicing	18,095	13,353	6,292	4,883
Securities' operations	7,055	3,094	1,569	1,255
Settlement operations	4,591	5,055	4,477	5,016
Cash collection	1,105	1,374	1,105	1,374
Currency exchange operations	543	481	529	481
Other expenses	3,796	4,875	1,053	505
Fee and commission expenses	**35,185**	**28,232**	**15,025**	**13,514**
Net fee and commission income	**119,628**	**105,708**	**81,501**	**56,602**

* In March 2010 the Bank got fee for advisory services in amount of 10 million USD (LTL 25,5 million). The Bank provided to the Client consulting services related to the restructuring and optimization of the credit indebtedness of the former client before the Client as well as ongoing investment opportunities. The advisory services have been provided during first half of 2010 and it has been completed in 2010.

(LTL thousand)

24. Net Fee and Commission Income (Cont‘d)

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.

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 at the statement of financial position preparation date.

25. Net Trading Income

	Group		*Bank*	
	2010	*2009*	*2010*	*2009*
Net gain (loss) from transactions in foreign currencies	44,138	27,889	32,543	(8,268)
Net gain (loss) from derivative instruments	16,708	35,401	15,384	34,774
Net gain (loss) from transactions with securities, classified as held for trading	14,526	10,575	1,371	4,246
Net Trading Income	**75,372**	**73,865**	**49,298**	**30,752**

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. Bank's 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 amounting to LTL 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 realised 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.

(LTL 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):

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Net gain (loss) from securities	564	1,589	(235)	1,308
Net gain from shares and privatization certificates	7,934	3,235	-	-
Net gain (loss) on financial assets and liabilities designated at fair value through profit or loss	**8,498**	**4,824**	**(235)**	**1,308**

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 investments in 2009 and 2010.

29. Other Operating Income

Other operating income comprises:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Income from investment property rent	7,148	-	2,348	-
Insurance premiums	2,651	389	-	-
Lease services	1,221	550	-	-
Managing closed accounts	298	1,083	298	1,083
Income from sale of assets	390	150	257	87
Other income	4,795	9,304	1,247	475
Other operating income	**16,503**	**11,476**	**4,150**	**1,645**

30. Salaries, Benefits and Other Operating Expenses

Salaries and benefits, and other operating expenses comprise:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Salaries and benefits	101,277	100,342	42,541	48,718
Social security costs	26,489	27,453	12,747	14,797
Salaries and benefits	**127,766**	**127,795**	**55,288**	**63,515**
Rent	21,863	19,082	7,196	8,124
Repair and maintenance of property and equipment	17,901	15,104	11,318	10,144
Taxes, other than income tax	17,201	14,261	7,051	5,920
Business travel and other related expenses	16,701	5,159	8,074	2,577
Transport and communications	14,888	11,330	6,887	5,893
Marketing and advertising	11,484	8,996	6,256	5,149
Legal, audit and other consultancy	10,930	9,058	1,956	3,193
Data processing	4,335	2,696	2,014	1,847
Insurance expenses	3,495	509	2,112	634
Security	3,383	3,419	1,470	1,545
Charity	2,482	11,375	1,389	10,377
Revaluation expenses (income) of property	1,892	8,072	(1,224)	3,255
Representation expenses	1,912	1,101	635	666
Loss from write off and sale of tangible assets	1,169	223	343	75
Stationery	1,162	862	491	412
Membership fee	949	1,171	146	125
Revaluation expenses of investment property	829	3,688	-	-
Personnel training	211	146	99	87
Other	20,209	16,829	5,265	4,851
Other operating expenses	**152,996**	**133,081**	**61,478**	**64,874**

(LTL thousand)

31. Business Combinations

Acquisitions in 2010

UAB Dieveris

On 20 September 2010, Bank bought 100 % UAB Dieveris, by acquiring 40,000 shares for the amount of LTL 1,250 thousand. At the acquisition date, the fair value of the assets and liabilities of UAB Dieveris (principal activity – real estate management) can be specified as follows:

	Recognised on acquisition	Carrying value at the acquisition date
Buildings	1,250	13
Other assets	8	14
	1,258	27
Other liabilities	(8)	(8)
Net assets	**1,250**	**19**
Consideration paid by the Group	**1,250**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(1,250)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	-
Net cash flow on acquisition	**(1,250)**

UAB Nekilnojamojo turto gama

On 1 July 2010, Bank's subsidiary UAB SNORAS Investment Management bought 51 % UAB Nekilnojamojo turto gama (principal activity – real estate management), by acquiring 51 shares for total amount of LTL 1. The Group has elected to measure the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the acquisition date, the fair value of the assets and liabilities of UAB Nekilnojamojo turto gama can be specified as follows:

	Recognised on acquisition	Carrying value at the acquisition date
Investment property	175,910	173,740
Supplies for operations	8,249	8,249
Various receivables	3,181	3,181
Other assets	3,681	3,544
	191,021	188,714
Loans	(155,140)	(155,140)
Various payables	(20,264)	(20,264)
Advances received	(8,605)	(8,605)
Other liabilities	(7,012)	(7,012)
Net assets	**-**	**(2,307)**
Non-controlling interest (49%)	**-**	**-**
Consideration paid by the Group	**-**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	-
Net cash acquired with the subsidiary (included in cash flows from investing activities)	374
Net cash flow on acquisition	**374**

(LTL thousand)

31. Business Combinations (Cont'd)

UAB NT Panorama

On 1 July 2010, Bank's subsidiary UAB SNORAS Investment Management bought 51 % UAB NT Panorama, by acquiring 31,314 shares for total amount of LTL 1. The Group has elected to measure the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the acquisition date, the fair value of the assets and liabilities of UAB NT Panorama can be specified as follows:

	Recognised on acquisition	Carrying value at the acquisition date
Investment property under construction	46,924	43,342
Other assets	80	80
	47,004	43,422
Loans	(44,175)	(44,175)
Other liabilities	(2,829)	(2,829)
Net assets	**-**	**(3,582)**
Non-controlling interest (49%)	**-**	**-**
Consideration paid by the Group	**-**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(0)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	1
Net cash flow on acquisition	**1**

UAB Stelita

On 1 July 2010, Bank's subsidiary UAB SNORAS Investment Management bought 51 % UAB Stelita, by acquiring 1,020 shares for the total amount of LTL 1. The Group has elected to measure the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the acquisition date, the fair value of the assets and liabilities of UAB Stelita can be specified as follows:

	Recognised on acquisition	Carrying value at the acquisition date
Investment property under construction	9,373	9,248
Other assets	11	11
	9,384	9,259
Loans to credit institutions	(8,328)	(8,328)
Other liabilities	(1,056)	(1,056)
Net assets	**-**	**(125)**
Non-controlling interest (49%)	**-**	**-**
Consideration paid by the Group	**-**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(0)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	0
Net cash flow on acquisition	**-**

From the date of the combination, the amounts contributed by UAB Dieveris, UAB Stelita, UAB NT Panorama and UAB Nekilnojamojo turto gama 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 486 thousand.

Disposals in 2010

There were no disposals in 2010 in the Bank and in the Group.

(LTL thousand)

31. Business Combinations (Cont'd)

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**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(3,580)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	-
Net cash flow on acquisition	**(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 at the acquisition date
Cash	15,989	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	4,970	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**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(24,919)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	15,989
Net cash flow on acquisition	**(8,930)**

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 at the acquisition date
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**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(16,559)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	-
Net cash flow on acquisition	**(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 at the acquisition date
Cash	643	643
Other assets	33	33
	676	676
Liabilities	(57)	(57)
Net assets	**619**	**619**
Consideration paid by the Group	**619**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(619)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	643
Net cash flow on acquisition	**24**

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 at the acquisition date**
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**	**-**

Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash from investing activities)	(973)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	-
Net cash flow on acquisition	**(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 ZAO 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.

32. Investment in an Associate

The Group's subsidiary UAB SNORAS Media has acquired 34% interest in UAB Lietuvos rytas, which main activity is media business in Lithuania. UAB Lietuvos rytas is a private entity that is not listed on any public exchange. The following table illustrates summarized financial information of the group investment in UAB Lietuvos rytas:

UAB SNORAS Media share of the associate's statement of financial position:

	As at 31 December 2010	***At the Acquisition date (5 January 2010)***
	audited	**unaudited**
Assets	51,436	59,176
Liabilities	32,311	37,195
Net assets	**19,125**	**21,981**
Carrying amount of goodwill (negative goodwill)	-	(1,981)
Consideration paid	**20,000**	**20,000**
Share of the associate's profit (loss):		
Loss:	(2,856)	-
Carrying amount of the investment	**19,125**	**20,000**

(LTL thousand)

33. 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. Management of the Group does not use geographical segmentation for valuing operating results of the Group, therefore necessary information for presentation of segments according to geographical location is not available and the cost to develop it would be excessive.

	Retail and Corporate Banking	*Investment Banking and Assets Management*	*Leasing*	*Real estate, debt recovery and other activity*	*Elimi-nations*	*Group*
	2010	*2010*	*2010*	*2010*	*2010*	*2010*
Revenue						
Total operating income from external customers	327,224	28,750	16,469	(3,100)	(1,029)	**368,314**
Total operating income inter-segment	30,841	(9,013)	(13,929)	(6,870)	(1,029)	**-**
Total operating income	358,065	19,737	2,540	(9,970)	(2,058)	**368,314**
Credit loss expense and impairment losses	(76,200)	(275)	(4,446)	194	-	**(80,727)**
Net operating income	281,865	19,462	(1,906)	(9,776)	(2,058)	**287,587**
Depreciation of property and equipment	21,240	1,017	38	429	-	**22,724**
Amortisation of intangible assets	6,554	1,886	60	-	-	**8,500**
Segment (loss)	(10,743)	(1,105)	1,009	(14,532)	972	**(24,399)**
Income tax income	-	-	-	-	-	**4,258**
(Loss) for the year	-	-	-	-	-	**(20,141)**
Assets						
Investment in an associate	-	-	-	19,125	-	**19,125**
Capital expenditure (including intangibles, excluding goodwill)	145,111	893	158	17	-	**146,179**
Property and equipment	319,564	2,606	160	4,177	(5,247)	**321,260**
Intangible assets	36,883	22,110	29	-	-	**59,022**
Total assets	**11,048,445**	**433,073**	**285,983**	**437,972**	**(1,142,195)**	**11,063,278**
Total liabilities	**10,170,288**	**439,196**	**284,110**	**462,436**	**(958,301)**	**10,397,729**

(LTL thousand)

33. Segment Reporting (Cont'd)

	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 (loss)	**(1,783)**	**(5,031)**	**(4,614)**	**(17,790)**	**(11,968)**	**(41,186)**
Income tax expense	-	-	-	-	-	**(2,953)**
(Loss) 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**
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**

34. 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 during 2010 has changed its estimates in credit risk assessments: prolonged realization terms of collateral, due to slow recovery of the economy and longer than expected period of legal litigations; applied more conservative "haircuts" coefficients for collateral in discounted cash flows calculations. Those changes in estimates resulted increase in loans impairment charge per 2010.

(LTL thousand)

34. Financial Risk Management (Cont'd)

Credit risk

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.

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*	
	2010	***2009***	***2010***	***2009***
Cash equivalents	2,363,487	1,879,731	1,266,999	1,237,314
Financial assets at fair value through profit or loss	1,534,654	1,007,095	1,297,157	871,140
Financial assets held-for-trading pledged as collateral	109,311	23,564	-	-
Amounts due from credit institutions	46,245	205,864	14,241	188,755
Held-to-maturity financial assets	222,589	336,793	164,571	280,146
Loans to customers, net	5,496,799	4,844,743	4,220,429	3,269,786
Total	**9,773,085**	**8,297,790**	**6,963,397**	**5,847,141**
Contingent liabilities	350,273	274,954	282,331	248,062
Financial commitments	123,687	59,460	94,265	68,450
Total	**473,960**	**334,414**	**376,596**	**316,512**
Maximum credit exposure	**10,247,045**	**8,632,204**	**7,339,993**	**6,163,653**

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 at 31 December 2010 was LTL 206,007 thousand in the Group and LTL 138,761 thousand in the Bank (in the Group and the Bank as at 31 December 2009 – LTL 117,903 thousand).

Maximum exposure to credit risk by industry

Credit risk exposure by industry is set out below:

	Group		*Bank*	
	2010	***2009***	***2010***	***2009***
Banking (including central banks)	2,728,828	2,392,112	1,562,515	1,698,617
Individuals	1,641,232	1,664,250	880,445	921,448
Government and municipalities	1,318,344	981,435	1,114,177	883,890
Real estate	991,235	1,030,577	737,702	618,461
Services	620,405	322,569	642,502	306,450
Manufacturing	517,358	347,977	379,967	324,374
Transport	495,869	446,200	253,071	203,201
Trading	494,115	274,527	437,476	209,739
Constructions	394,718	289,398	211,487	178,825
Financial services	301,278	227,151	842,006	483,552
Agriculture and food processing	89,997	99,046	63,693	73,743
Electricity	63,090	25,609	41,521	21,150
Fuel, gas and chemical	6,724	5,458	1,761	-
Other	583,852	525,895	171,670	240,203
Total	**10,247,045**	**8,632,204**	**7,339,993**	**6,163,653**

(LTL thousand)

34. Financial Risk Management (Cont'd)

Maximum exposure to credit risk by countries

Credit risk exposure by countries is set out below:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Lithuania	3,425,570	2,937,106	3,806,333	3,139,063
Latvia	2,266,739	1,918,410	176,275	74,103
OECD	2,476,153	2,224,939	2,008,406	1,920,897
Russia	1,111,524	978,568	760,367	688,958
Other countries	967,059	573,181	588,612	340,632
Total	**10,247,045**	**8,632,204**	**7,339,993**	**6,163,653**

Credit quality per class of financial assets

Credit quality per class of financial assets is outlined below:

	Group		Bank	
	2010	*2009*	*2010*	*2009*
Neither past due nor impaired	8,456,587	6,832,949	5,992,429	4,976,906
Past due but not impaired	1,107,132	1,082,364	769,956	737,208
Individually impaired	683,326	716,891	577,608	449,539
Total	**10,247,045**	**8,632,204**	**7,339,993**	**6,163,653**

The fair value of collateral that the Group holds relating to individually determined to be impaired financial assets as at 31 December 2010 amounts to LTL 931,128 thousand, the Bank – LTL 733,924 thousand (as at 31 December 2009 – LTL 975,779 thousand, LTL 766,118 thousand, respectively). The fair value of collateral that the Group holds relating to past due not impaired financial assets as at 31 December 2010 amounts to LTL 1,486,029 thousand, the Bank – LTL 1,064,367 thousand (as at 31 December 2009 – LTL 1,794,683 thousand, LTL 1,364,621 thousand, respectively). The collateral consists of cash, securities, letters of guarantee and properties.

The allowances for impairment made for individually impaired financial assets of the Group as at 31 December 2010 amounts to LTL 222,357 thousand, the Bank – LTL 153,383 thousand (as at 31 December 2009 – LTL 164,154 thousand, LTL 99,316 thousand, respectively). Gross amount of financial assets, individually determined to be impaired, before deducting any individually assessed impairment allowance as at 31 December 2010 amounts to LTL 905,683 thousand, the Bank – LTL 730,991 thousand (as at 31 December 2009 – LTL 881,045 thousand and LTL 548,855 thousand, respectively).

Group	*Neither past due nor impaired 2010*				Total
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	4,164,577	-	-	4,164,577
Financial institutions	1,970,232	146,580	7,367	310,650	2,434,829
Investment activities:					
Bonds	1,608,556	119,007	2,384	114,173	1,844,120
Derivatives	5,095	656	-	7,310	13,061
Total	**3,583,883**	**4,430,820**	**9,751**	**432,133**	**8,456,587**

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	815,526	2,519,681
Investment activities:					
Bonds	1,264,663	11,856	6,141	42,958	1,325,618
Derivatives	4,650	1,931	-	17,612	24,193
Total	**2,392,686**	**3,389,748**	**174,419**	**876,096**	**6,832,949**

(LTL thousand)

34. Financial Risk Management (Cont'd)

Bank	***Neither past due nor impaired 2010***				**Total**
	High grade	Standard grade	Sub-standard grade	Without ratings	
Lending activities:					
Corporate and private	-	2,685,009	-	-	2,685,009
Financial institutions	1,057,475	643,144	105	154,341	1,855,065
Investment activities:					
Bonds	1,436,008	10,394	-	-	1,446,402
Derivatives	5,095	10	-	848	5,953
Total	**2,498,578**	**3,338,557**	**105**	**155,189**	**5,992,429**

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**

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 2010**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	147,787	39,384	22,738	205,026	414,935
Corporate clients	173,146	64,000	23,077	431,974	692,197
Total	**320,933**	**103,384**	**45,815**	**637,000**	**1,107,132**

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**

Bank	**Past due but not impaired loans 2010**				
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**More than 91 days**	**Total**
Private individuals	114,330	27,386	9,735	114,419	265,870
Corporate clients	153,771	47,079	953	302,283	504,086
Total	**268,101**	**74,465**	**10,688**	**416,702**	**769,956**

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**

(LTL thousand)

34. 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 530,330 thousand in the Group and LTL 343,478 thousand in the Bank as at 31 December 2010 (Group – LTL 520,010 thousand, Bank – LTL 454,104 thousand as at 31 December 2009).

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 Income Statements 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	**2010**			**2009**		
Currency	**Interest rate increase / decrease in basis points**	**Impact on P/L before taxes**	**Impact on Equity**	**Interest rate increase / decrease in basis points**	**Impact on P/L before taxes**	**Impact on Equity**
LTL	+200	(19,108)	(16,242)	+200	(16,288)	(13,030)
EUR	+50	3,554	3,021	+50	1,265	1,012
USD	+50	(2,979)	(2,532)	+50	1,242	994
LTL	-200	19,108	16,242	-200	16,288	13,030
EUR	-50	(3,554)	(3,021)	-50	(1,265)	(1,012)
USD	-50	2,979	2,532	-50	(1,242)	(994)

(LTL thousand)

34. Financial Risk Management (Cont'd)

Bank	2010			2009		
Currency	**Interest rate increase / decrease in basis points**	**Impact on P/L before taxes**	**Impact on Equity**	**Interest rate increase / decrease in basis points**	**Impact on P/L before taxes**	**Impact on Equity**
LTL	+200	(24,344)	(20,692)	+200	(14,190)	(11,352)
EUR	+50	4,207	3,576	+50	(439)	(351)
USD	+50	(2,456)	(2,088)	+50	445	356
LTL	-200	23,344	20,692	-200	14,190	11,352
EUR	-50	(4,207)	(3,576)	-50	439	351
USD	-50	2,456	2,088	-50	(445)	(356)

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 Income Statement 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	2010			2009		
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	+2.2	200	170	+5	325	260
RUB	-2.2	(200)	(170)	-5	(325)	(260)
USD	+2.4	(33)	(28)	+3.6	(692)	(554)
USD	-2.4	33	28	-3.6	692	554

Bank	2010			2009		
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	+2.2	9	8	+5	28	22
RUB	-2.2	(9)	(8)	-5	(28)	(22)
USD	+2.4	101	86	+3.6	(654)	(523)
USD	-2.4	(101)	(86)	-3.6	654	523

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 2010 the Bank has outperformed this ratio more than 17 percentage point. The Bank also follows requirements of the required reserves at the Bank of Lithuania.

(LTL thousand)

34. Financial Risk Management (Cont'd)

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

	2010, %	2009, %
Average during the period	47.61	41.26
Highest	55.43	55.33
Lowest	42.33	32.67

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:

	2010, %	2009, %
Average during the period	66.58	46.03
Highest	81.15	55.55
Lowest	56.10	40.64

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:

	2010, %
Average during the period	61.54
Highest	70.17
Lowest	51.54

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 90 % 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 2010 and 2009 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)

34. 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 statement of financial position preparation 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 below. 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 below. 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	***2010***							
	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	2,404,642	141,974	678	-	-	-	-	2,547,294
Financial assets at fair value through profit or loss	-	267,355	193,989	735,048	282,024	56,238	11,175	1,545,829
Financial assets held-for-trading pledged as collateral	-	-	-	6,104	83,634	19,573	-	109,311
Amounts due from credit institutions	-	13,798	26,958	4,989	500	-	-	46,245
Held-to-maturity financial assets	-	70,636	-	32,030	104,365	6,186	9,372	222,589
Loans to customers, net	-	981,078	252,830	1,264,930	2,007,124	769,060	221,777	5,496,799
Other assets	4,522	5,851	4,464	11,374	7,194	141	1,061,665	1,095,211
	2,409,164	**1,480,692**	**478,919**	**2,054,475**	**2,484,841**	**851,198**	**1,303,989**	**11,063,278**
Liabilities:								
Due to credit institutions	120,401	244,086	5,847	27,639	19,043	100,147	-	517,163
Derivative financial liabilities	-	5,037	1,080	771	508	-	-	7,396
Debt securities issued	-	4,840	10,757	100,505	28,871	-	72,508	217,481
Amounts due to customers	3,352,703	1,094,049	1,380,352	3,318,108	196,345	30,297	-	9,371,854
Deferred income tax liabilities	-	-	-	-	-	-	5,896	5,896
Other liabilities	2,503	9,699	576	1,758	653	400	65,441	81,030
Subordinated loans	-	642	83	-	66	196,118	-	196,909
	3,475,607	**1,358,353**	**1,398,695**	**3,448,781**	**245,486**	**326,962**	**143,845**	**10,397,729**
Net position	**(1,066,443)**	**122,339**	**(919,776)**	**(1,394,306)**	**2,239,355**	**524,236**	**1,160,144**	**665,549**
Accumulated gap	**(1,066,443)**	**(944,104)**	**(1,863,880)**	**(3,258,186)**	**(1018,831)**	**(494,595)**	**665,549**	

(LTL thousand)

34. Financial Risk Management (Cont'd)

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
Financial assets held-for-trading pledged as collateral		23,564	-	-	-	-	-	23,564
Amounts due from credit institutions	-	48,211	110,303	40,377	6,910	-	63	205,864
Held-to-maturity financial assets	-	65,589	8,395	207,746	37,082	1,182	16,799	336,793
Loans to customers, net	-	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)

34. Financial Risk Management (Cont'd)

Bank	*2010*							
	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	1,372,154	27,631	-	-	-	-	-	1,399,785
Financial assets at fair value through profit or loss	-	260,187	190,315	641,346	161,246	44,065	366	1,297,525
Amounts due from credit institutions	-	13,038	802	401	-	-	-	14,241
Held-to-maturity financial assets	-	69,057	-	17,006	69,136	-	9,372	164,571
Loans to customers, net	-	900,307	132,760	1,021,303	1,609,424	529,186	27,449	4,220,429
Investments in subsidiaries	-	-	-	-	-	-	188,618	188,618
Other assets	3,584	5,851	4,464	7,186	7,194	141	342,757	371,177
	1,375,738	**1,276,071**	**328,341**	**1,687,242**	**1,847,000**	**573,392**	**568,562**	**7,656,346**
Liabilities:								
Due to credit institutions	120,873	228,433	5,134	11,227	-	-	-	365,667
Derivative financial liabilities	-	696	1,043	733	-	-	-	2,472
Debt securities issued		4,840	10,757	100,580	16,490	-	72,508	205,175
Amounts due to customers	2,205,315	670,635	984,407	2,336,910	118,998	30,297	-	6,346,562
Deferred income tax liabilities	-	-	-	-	-	-	3,779	3,779
Other liabilities	836	9,699	576	1,758	653	400	26	13,948
Subordinated loans	-	642	-	-	-	120,848	-	121,490
	2,327,024	**914,945**	**1,001,917**	**2,451,208**	**136,141**	**151,545**	**76,313**	**7,059,093**
Net position	**(951,286)**	**361,126**	**(673,576)**	**(763,966)**	**1,710,859**	**421,847**	**492,249**	**597,253**
Accumulated gap	**(951,286)**	**(590,160)**	**(1,263,736)**	**(2,027,702)**	**(316,843)**	**105,004**	**597,253**	

(LTL thousand)

34. 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)

34. 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

	2010					
	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	365,316	6,307	29,748	52,961	110,066	564,398
Derivative financial instruments	5,037	1,080	771	508	-	7,396
Customer deposits	4,456,170	1,400,047	3,380,468	213,174	52,072	9,501,931
Subordinated loans	1,248	1,644	7,714	33,789	280,411	324,806
Debt securities in issue	4,920	10,816	107,967	52,808	84,624	261,135
Total undiscounted financial liabilities	**4,832,691**	**1,419,894**	**3,526,668**	**353,240**	**527,173**	**10,659,666**

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 loans	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**

Bank

	2010					
	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	349,616	5,134	11,605	-	-	366,355
Derivative financial instruments	696	1,043	733	-	-	2,472
Customer deposits	2,879,508	993,335	2,377,438	132,155	34,517	6,416,953
Subordinated loans	961	170	2,417	5,547	153,784	162,879
Debt securities in issue	4,920	10,816	107,967	52,883	84,624	261,210
Total undiscounted financial liabilities	**3,235,701**	**1,010,498**	**2,500,160**	**190,585**	**272,925**	**7,209,869**

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 loans	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**

(LTL thousand)

34. 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	*2010*					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Credit commitments	98,648	5,658	62,582	146,658	36,727	350,273
Issued guarantees	14,295	2,160	46,400	58,797	2,035	123,687
Total	**112,943**	**7,818**	**108,982**	**205,455**	**38,762**	**473,960**

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**

Bank	*2010*					
	Less than 1 month	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Credit commitments	6,254	5,658	62,607	171,087	36,725	282,331
Issued guarantees	1,758	16,960	51,007	22,505	2,035	94,265
Total	**8,012**	**22,618**	**113,614**	**193,592**	**38,760**	**376,596**

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**

For possible cash flows analysis, the maximum amount of the issued financial guarantees should be allocated to less than 1 month period as being earliest period in which the guarantee could be called.

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 related to tangible assets is insurance. The Group and the Bank insures most of its tangible assets, thus, in general, it does not experience tangible assets losses.

(LTL thousand)

35. Fair Value of Financial Instruments

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

Group	*2010*			*2009*		
	Carrying value	*Fair value*	*Difference*	*Carrying value*	*Fair value*	*Difference*
Financial Assets						
Cash and cash equivalents	2,547,294	2,547,294	-	2,050,754	2,050,754	-
Financial assets at fair value through profit or loss	1,545,829	1,545,829	-	1,008,735	1,008,735	-
Financial assets held-for-trading pledged as collateral	109,311	109,311	-	23,564	23,564	-
Amounts due from credit institutions	46,245	46,245	-	205,864	205,613	(251)
Held-to-maturity financial assets	222,589	223,530	941	336,793	320,619	(16,174)
Loans to customers, net	5,496,799	5,586,186	89,387	4,844,743	4,848,281	3,538
Financial liabilities						
Amounts due to credit institutions	517,163	517,333	(170)	253,528	253,528	-
Derivative financial liabilities	7,396	7,396	-	6,122	6,122	-
Debt securities issued	217,481	221,456	(3,975)	529,870	508,821	21,049
Amounts due to customers	9,371,854	9,405,349	(33,495)	7,379,719	7,368,836	10,883
Subordinated loans	196,909	199,268	(2,359)	195,308	195,614	(306)
Total difference to fair value			**50,329**			**18,739**

Bank	*2010*			*2009*		
	Carrying value	*Fair value*	*Difference*	*Carrying value*	*Fair value*	*Difference*
Financial Assets						
Cash and cash equivalents	1,399,785	1,399,785	-	1,356,577	1,356,577	-
Financial assets at fair value through profit or loss	1,297,525	1,297,525	-	871,281	871,281	-
Amounts due from credit institutions	14,241	14,241	-	188,755	188,503	(252)
Held-to-maturity financial assets	164,571	164,766	195	280,146	264,663	(15,483)
Loans to customers, net	4,220,429	4,307,846	87,417	3,269,786	3,276,245	6,459
Financial liabilities						
Amounts due to credit institutions	365,667	365,837	(170)	178,816	178,816	-
Derivative financial liabilities	2,472	2,472	-	1,098	1,098	-
Debt securities issued	205,175	209,150	(3,975)	519,696	498,647	21,049
Amounts due to customers	6,346,562	6,379,580	(33,018)	4,994,204	4,983,903	10,301
Subordinated loans	121,490	121,490	-	121,411	121,411	-
Total difference to fair value			**50,449**			**22,074**

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)

35. 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 at 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

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	339	12,644	78	**13,061**
	339	**12,644**	**78**	**13,061**
Other financial assets held-for-trading				
Debt securities	37,036	215,633	209	252,878
Equity securities	368	7,076	-	7,444
	37,404	**222,709**	**209**	**260,322**
Financial assets designated at fair value through profit and loss				
Debt securities	1,237,035	31,647	33	1,268,715
Equity securities	-	3,731	-	3,731
	1,237,035	**35,378**	**33**	**1,272,446**
Financial assets held-for-trading pledged as collateral				
Debt securities	109,311	-	-	109,311
	109,311	**-**	**-**	**109,311**
	1,384,089	**270,731**	**320**	**1,655,140**
Financial liabilities				
Derivative financial instruments	-	7,396	-	**7,396**
	-	**7,396**	**-**	**7,396**

31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	8,377	15,816	-	**24,193**
	8,377	**15,816**	**-**	**24,193**
Other financial assets held-for-trading:				
Debt securities	48,201	94,282	-	142,483
Equity securities	750	-	-	750
	48,951	**94,282**	**-**	**143,233**
Financial assets designated at fair value through profit and loss				
Debt securities	840,419	-	-	840,419
Equity securities	890	-	-	890
	841,309	**-**	**-**	**841,309**
Financial assets held-for-trading pledged as collateral				
Debt securities	23,564	-	-	**23,564**
	23,564	**-**	**-**	**23,564**
	922,201	**110,098**	**-**	**1,032,299**
Financial liabilities				
Derivative financial instruments	4,108	2,014	-	**6,122**
	4,108	**2,014**	**-**	**6,122**

(LTL thousand)

35. Fair Value of Financial Instruments (Cont'd)

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of level 3 financial assets, which are recorded at fair value:

	Derivative financial assets	Corporate bonds
As of 1 January 2009	-	-
Purchases	-	-
Total gains (losses) recorded in profit (loss)	-	-
Sales	-	-
Transfers between levels	-	-
As of 31 December 2009	-	-
Purchases	78	242
Total gains (losses) recorded in profit (loss)	-	-
Sales	-	-
Transfers between levels	-	-
As of 31 December 2010	**78**	**242**

Impact on the fair value of Level 3 instruments of using reasonably possible alternative assumptions by class of instrument is not presented as not material as at 31 December 2010.

Bank

31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments	339	5,614	-	5,953
	339	**5,614**	**-**	**5,953**
Other financial assets held-for-trading				
Debt securities	29,303	44,853	-	74,156
Equity securities	368	-	-	368
	29,671	**44,853**	**-**	**74,524**
Financial assets designated at fair value through profit and loss				
Debt securities	1,217,048	-	-	1,217,048
	1,217,048	**-**	**-**	**1,217,048**
	1,247,058	**50,467**	**-**	**1,297,525**
Financial liabilities				
Derivative financial instruments	-	2,472	-	2,472
	-	**2,472**	**-**	**2,472**

31 December 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial instruments	1,123	11,926	-	13,049
	1,123	**11,926**	**-**	**13,049**
Other financial assets held-for-trading				
Debt securities	38,657	82,356	-	121,013
Equity securities	141	-	-	141
	38,798	**82,356**	**-**	**121,154**
Financial assets designated at fair value through profit and loss				
Debt securities	737,078	-	-	737,078
	737,078	**-**	-	**737,078**
	776,999	**94,282**	**-**	**871,281**
Financial liabilities				
Derivative financial instruments	-	1,098	-	1,098
	-	**1,098**	**-**	**1,098**

The Group and the Bank uses Level 1 and Level 2 valuation techniques for valuing fair value of financial instruments. No significant transfers into and from Level 2 were observed in 2010 and 2009.

(LTL thousand)

36. Related Party Transactions

The Group and the Bank enter into transactions, arrangements and agreements involving management and other entities with significant influence over the Group and the Bank.

The following table shows the outstanding balance of transactions, which have been entered into with related parties for the relevant financial year:

	Group		Bank	
	2010	***2009***	***2010***	***2009***
Amounts receivable:				
Loans and advances to related parties:				
- Management	100,469	21,103	94,580	19,386
- Subsidiaries	-	-	855,422	537,959
- Other related legal entities	188,421	157,434	158,097	155,557
- Other related private individuals	1,069	311	1,069	-
Financial assets at fair value through profit or loss - currency derivative fair value:				
- Subsidiaries	-	-	386	1,894
- Other related legal entities	87	133	87	133
Other payments for shares:				
- Subsidiaries	-	-	-	350
Total amounts receivable:	**290,046**	**178,981**	**1,109,641**	**715,279**
Amounts payable:				
Deposits and funds received:				
- Management	211,277	205,490	209,813	203,773
- Subsidiaries	-	-	7,908	5,874
- Other related legal entities	59,114	56,716	58,802	55,469
- Other related private individuals	2,215	31,693	1,155	1,165
Derivative liabilities - currency derivative fair value:				
- Subsidiaries	-	-	35	167
- Other related legal entities	269	3	269	3
Total amounts payable:	**272,875**	**293,902**	**277,982**	**266,451**
Credit commitments and contingencies to related parties:				
- Management	5,608	1,367	121	-
- Subsidiaries	-	-	19,405	19,405
Total commitments and contingencies to related parties:	**5,608**	**1,367**	**19,526**	**19,405**
Profit and loss items				
Interest revenue	4,394	923	34,350	43,708
Inc. interest revenue from subsidiaries	-	-	*31,435*	*42,785*
Rent income from subsidiary for Investment property	-	-	2,348	-
Dividends income	-	-	-	11,364
Impairment for investment to subsidiary company	-	-	-	(3,569)
Interest expense	(10,621)	(5,536)	(8,393)	(6,175)
Inc. interest expense to subsidiaries	-	-	*(592)*	*(2,170)*
Remuneration to the Board	6,381	7,675	2,965	3,595

All transactions with related parties are made in at terms equivalent to those that prevail in arm's length transactions except for the credit enhancement received by the Bank's subsidiary AS Latvijas Krājbanka described in detail below.

Management includes two main shareholders, who are the members of the Board and Council in the Bank and the Group.

During the reporting period AS Latvijas Krājbanka has entered into an arrangement with its parent AB bank SNORAS with notional value of LTL 199 million of maximum possible credit enhancement. The fair value of the aforementioned agreement as estimated by Latvijas Krājbanka was null as a result no payments have been made by neither party at inception of this agreement. Due to the fact that applicable credit institution law already provides the obligation of majority shareholder of the bank (the holder of substantial stake) to increase the capital of Latvijas Krājbanka in case if that is needed, the obligations undertaken by the Bank with mentioned agreement do not increase Bank's liability to support Latvijas Krājbanka capital in case it is reasonably necessary.

(LTL thousand)

36. Related Party Transactions (Cont'd)

In 2010 the Bank's subsidiary AS Latvijas Krājbanka have received credit risk enhancement for loans in amount of LTL 17 million, by consideration arising from additional collateral placed by related legal party. This credit enhancement resulted in a reversal of impairment losses for loans covered by this credit risk enhancement.

Bank's subsidiary company UAB SNORO valda in 2010 bought investment property from the bank, related to the main shareholder. The amount of transaction was LTL 7,950 thousand.

Bank in 2009 bought property from subsidiary company UAB SNORAS Development. 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 UAB SNORAS distressed assets. The amount of transaction was LTL 55,690 thousand.

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

37. 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 and Finance Group as it is prescribed in Bank of Lithuania act no. 153 dated 7 December 2006). The Finance Group and the Bank were in compliance with the capital adequacy requirements through 31 December 2010 and 2009, however below the capital adequacy ratios of the Group, the Bank and other subsidiaries, which are required to maintain certain capital adequacy ratios, are disclosed.

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

	Group	*Bank*	*Latvijas Krājbanka Group*	*AS Latvijas Krājbanka*	*AB Bankas Finasta*
31 December 2010	10.15	10.61	13.92	14.33	13.89
31 December 2009	10.02	11.23	12.66	12.70	28.67

Capital adequacy ratio calculation summary for the Group and the Bank is presented in the table below:

Capital adequacy calculation, 2010	*Group*	*Bank*
Tier 1 equity items	592,093	554,982
Tier 2 equity items	315,363	220,844
Deductions from capital	(59,022)	(181,671)
Eligible capital	**848,434**	**594,155**
Total capital requirements for credit, counterparty credit and dilution risks and free deliveries	723,135	495,875
Total capital requirements for position, foreign exchange and commodity risks	40,828	21,388
Total capital requirements for operational risks	71,787	40,548
Other capital requirements	-	2,061
Capital requirements	**835,750**	**559,872**
Capital adequacy ratio	**10.15**	**10.61**

(LTL thousand)

37. Capital Adequacy (Cont'd)

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**

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.

Increase in share capital in subsequent period will have a positive impact on the Bank's and the Group capital adequacy ratios (Note 38).

38. Subsequent events

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

	2010
Unappropriated retained earnings at the beginning of the period	22,301
Current year result	9,933
Unappropriated retained earnings	**32,234**
Distribution:	
To reserve capital for credit risk	(4,705)
To other general reserves (mandatory reserve)	(1,611)
To pay dividends	-
Undistributed retained earnings carried to next year	**25,918**

During the general meeting held on 21 December 2010, shareholders of the Bank decided to increase the authorized capital by additional contributions – LTL 380,083 million. On 24 February 2011 the Bank of Lithuania approved the conversion of LTL 51.8 million subordinated loan and LTL 72.5 million debt securities without term, both owned by two major shareholders of the Bank, into share capital. As neither conversion date nor conversion terms are reliably set diluted earnings per share can not be calculated as at statement of financial position preparation date.

On 24 January 2011, the Financial and Capital Market Commission in Latvia resolved to authorise the mandatory buyout offer for the shares of a subsidiary AS Latvijas Krājbanka by the Bank.

On 28 January 2011, an announcement on the buyout offer was published in the official gazette Latvijas Vēstnesis by the Bank. The period of the offer is from 28 January 2011 to 28 February 2011 (inclusive). The share price under the mandatory share buyout offer is defined according to the requirements of Section 74 of the Latvian Law on the Financial Instrument Market as follows (using LVL/LTL rate as at 31 December 2010):

- For an ordinary share (ISIN code: LV0000100683) – LTL 12,45;
- For an "A" category preference share (ISIN code: LV0000200012) – LTL 38,96.

Based on Section 77 of the Latvian Law on the Financial Instrument Market, the Board of AS Latvijas Krājbanka has analysed the Prospectus submitted, the announcement published by the Bank on making the offer and other related documents and concluded that the offer meets the requirements of the Latvian Law on the Financial Instrument Market.

Having assessed the intentions of the Bank stated in the Prospectus with regard to the further business of AS Latvijas Krājbanka, the Board considers that the implementation of this offer will not affect the interests of AS Latvijas Krājbanka, including its employment policy. The Board also believes that after the offer is implemented, the plans of the Bank in respect of AS Latvijas Krājbanka will not change and AS Latvijas Krājbanka will continue operating based on its approved strategy and the lines of business listed in the Articles of Association. According to the Prospectus, The Bank has no intention to make any changes of the Council or the Board of AS Latvijas Krājbanka, revise the employment policy, or change registered office.