AB ŪKIO BANKAS

CONFIRMATION OF RESPONSIBLE PERSONS

This confirmation of responsible persons regarding audited annual consolidated financial statements and annual consolidated report of AB Ūkio bankas as of 31 December 2008 is provided following Law on securities of Republic of Lithuania, dated 18 January 2007 and Lithuanian Securities Commission resolution No. 1K-3 on Rules of disclosure and submission of periodic and additional information, dated 23 February 2007.

We, the undersigned responsible persons, confirm that to the best of our knowledge, provided annual consolidated financial statements of AB Ūkio bankas prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss of the Bank and consolidated companies as well as the annual consolidated report includes a fair review of the development and performance of the business and joint status of consolidated companies together with description of main risks and uncertainties faced.

Chairwoman of the Board	Edita Karpavičienė
Chief Accountant	Vidutė Petraitienė

Kaunas, Lithuania
27 February 2009

AB ŪKIO BANKAS

Independent Auditor's Report,
Annual Report and
Financial Statements
for the year ended 31 December 2008

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Ūkio Bankas:

Report on the Financial Statements

We have audited the accompanying financial statements (page 16 to 96) of AB Ūkio Bankas ("the Bank") and the consolidated financial statements of AB Ūkio Bankas and subsidiaries ("the Group"), which comprise the balance sheet and the consolidated balance sheet as of 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements and the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2008 (page 4 to 15) and have not noted any material inconsistencies between the historical financial information included in it and the financial statements for the year ended 31 December 2008.

Deloitte Lietuva UAB
Torben Pedersen
Partner

Certified auditor Lina Drakšienė
Auditor's Certificate No. 000062

Vilnius, Lithuania
27 February 2009

REPORTING PERIOD

The annual report includes information for the year 2008. All amounts are presented as of 31 December 2008 or for the year then ended, unless otherwise stated. AB Ūkio Bankas is also be referred to as "the Bank" and AB Ūkio Bankas Group – "the Group".

COMPANIES CONSTITUTING THE GROUP AND THEIR CONTACT DETAILS

As of 31 December 2008, AB Ūkio Bankas Group consisted of AB Ūkio Bankas (parent company) and 5 subsidiaries listed below:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100%
UAB GD Bonum Publicum	Life insurance	Vilnius, Lithuania	100%
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100%
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Financial intermediation	Kaunas, Lithuania	100%
RAB Ūkio Bank Lizing *	Finance lease	Kiev, Ukraine	100%

* UAB Ūkio Banko Lizingas owns 100% of the shares of RAB Ūkio Bank Lizing.

Contact details of parent company:

Name of the Bank	AB Ūkio Bankas
Legal organizational form	Joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 19 November 1999
Registration number	112020136
Head Office address	Maironio str. 25, LT-44250 Kaunas, Republic of Lithuania
Telephone number	+370 37 301 301
Fax number	+370 37 323 188
E-mail address	ub@ub.lt
Website	www.ub.lt

Contact details of UAB Ūkio Banko Lizingas:

Name of the Subsidiary	UAB Ūkio Banko Lizingas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 14 July 1997
Registration number	234995490
Head Office address	Donelaičio str. 60, LT-44248 Kaunas, Republic of Lithuania
Telephone number	+370 37 40 72 00
E-mail address	info@ubl.lt
Website	www.ubl.lt

Contact details of GD UAB Bonum Publicum:

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

Contact details of UAB Ūkio Banko Investicijų valdymas:

Name of the Subsidiary	UAB Ūkio Banko Investicijų Valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 3 April 2006
Registration number	300556509
Head Office address	J. Gruodžio str. 9, LT-44293 Kaunas, Republic of Lithuania
Telephone number	+37037301390, +37037395526
E-mail address	fondai@ub.lt
Website	www.ub.lt

Contact details of UAB Ūkio Banko Rizikos Kapitalo Valdymas:

Name of the Subsidiary	UAB Ūkio Banko Rizikos Kapitalo Valdymas
Legal organizational form	Closed joint-stock company
Registration date and place	State Enterprise Registers Centre, Republic of Lithuania, 26 June 2007
Registration number	300890619
Head Office address	J. Gruodžio str. 9, LT-44293 Kaunas, Republic of Lithuania
Telephone number	+37037395550, +37068674002
E-mail address	info@ubrkv.lt
Website	www.ubrkv.lt

Contact details of RAB Ūkio Bank Lizing:

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

MAIN ACTIVITIES OF THE GROUP

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

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

AGREEMENTS WITH MARKET INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

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

Intermediary	Address	Nature of the agreement
AB DnB NORD Bankas	J. Basanavičiaus str. 26, Vilnius	Agreement on financial instruments account handling and execution of orders
AB bankas Hansabankas	Savanorių ave. 19, Vilnius	Securities account handling and intermediation agreement
AS Hansapank	Liivalaia str. 8, Tallinn, Estonia	Securities account handling and intermediation agreement
AS Hansabanka	Balasta dambis 1 a, Riga, Latvia	Securities account handling and intermediation agreement
AB SEB bankas	Gedimino ave. 12, Vilnius	Securities account handling agreement
AB Parex bankas	K.Kalinausko str. 13, Vilnius	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders
UAB FMĮ Finbaltus	Konstitucijos ave. 23-660, Vilnius	Securities accounts servicing agreement
AB FMĮ Finasta	Maironio str. 11, Vilnius	Agreement on the accounting, custody, and lending of securities and monetary funds and on acceptance and execution of orders
Nova Banka A.D. Bijeljina	Knjaza Miloša 15, 78000 Banja Luka, Srpska Republika	Brokerage service agreement
Balkan Investment Bank AD, Banja Luka Balkan Investment Broker, Banja Luka	Krajiških brigada br. 2, Banja Luka, Srpska Republika, BiH	Brokerage service agreement
Troika Dialog (Bermuda) Limited	Chancery Hall 52 Reid Street, Hamilton HM 12 Bermuda	Intermediation and brokerage service agreement
Deutsche Bank AG	Winchester House, 1 Great Winchester Street, London	Securities custody agreement
Deutsche Bank AG	Herengracht 450-454 NL-1017 CA Amsterdam	Securities custody agreement
OAO Bank Zenit	Banij per. 9, Moscow	Agreement on the performance of operations on the securities market
Erste Bank Befektetesi Rt.	Madach Imre u. 13-15, Budapest	Brokerage agreement

(continued)

Intermediary	Address	Nature of the agreement
SC Parex Asset Management	Basteja Boulevard 14, Riga, Latvia	Agreement on investment portfolio management
SG Private Banking (Suisse) S.A.	Rue de la Corraterie 6, Case postale 5022, 1211 Geneve 11	Agreement on securities custody and brokerage service
Credit Suisse	Uetlibergstrasse 231, Postfach 100, Zurich, Switzerland	Agreement on securities custody and brokerage service
Interactive brokers	Gotthardstrasse 3, 6301 Zug, Switzerland	Brokerage service agreement

(concluded)

TRADING IN THE BANK'S SECURITIES ON STOCK EXCHANGES

AB Ūkio bankas ordinary registered shares (name: UKB1L) are traded on NASDAQ OMX Vilnius Stock Exchange (VSE) (http://www.nasdaqomxbaltic.com/) Official List.

ISSUED SHARE CAPITAL AND ITS STRUCTURE

As of 31 December 2008 the issued share capital of the Bank amounted to LTL'000 196,708 (one hundred ninety six million seven hundred and eight thousand) and it was divided into 196,708,000 (one hundred ninety six million seven hundred and eight thousand) ordinary registered shares. The nominal value of one share is LTL 1 (one).

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

As of 31 December 2008 the Bank ha two subordinated loans in the amount of LTL'000 8,681 denominated in USD which could be converted to newly issued shares on the maturity date (1 July 2009 and 7 January 2010, respectively).

RESTRICTIONS ON SECURITIES TRANSFER

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

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

A person wishing to acquire 10 percent or more holding of a bank's authorized capital and/or voting rights or to increase it so that the proportion of the authorized capital and/or voting rights held by him would make up 1/5, 1/3 or 1/2 of the holding or so that the bank would become controlled by him must obtain prior consent of the supervisory institution.

SHAREHOLDERS

As of 31 December 2008 the Bank had 11,335 Bank's shareholders, who were holding 196,708,000 shares. The nominal value of each AB Ūkio Bankas ordinary registered share is LTL 1.

Over 5% of the registered authorized capital of the Bank was owned by the following shareholders (31 December 2008):

Shareholder's corporate name/ full name	Shareholder's code	Address	Shares held under the property right, number/ percentage of authorized capital, %	Votes held under the property right, number/ percentage of votes, %	Votes held in concert with other persons, number/ percentage of votes, %
Romanov Vladimir	-	-	64,809,784/ 32.9472%	64,809,784/ 32.9472%	64,809,784/ 32.9472%
UAB „Universal Business Investment Group Management"	210869960	Donelaičio str. 60, Kaunas, Lietuva	19,650,680/ 9.9898%	19,650,680/ 9.9898%	19,650,680/ 9.9898%
Romanova Zinaida	-	-	17,166,235/ 8.7268%	17,166,235/ 8.7268%	17,166,235/ 8.7268%
UAB „FIRST Partneriai"	301145610	Donelaičio str. 60, Kaunas, Lietuva	11,565,368/ 5.8795%	11,565,368/ 5.8795%	11,565,368/ 5.8795%.
Other:			83,515,933 / 42.4568%	83,515,933 / 42.4568%	83,515,933 / 42.4568%
TOTAL:			**196,708,000/ 100.00%**	**196,708,000/ 100.00%**	**196,708,000/ 100.00%**

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

EMPLOYEES OF THE BANK

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

	Average number of employees			Of these with higher education			Average monthly salary (before taxes, in LTL)		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Managing employees	120	90	75	110	83	73	7,040	9,932	8,436
Specialists	514	442	348	404	360	278	2,963	2,848	2,432
Other employees	34	31	26	5	3	3	2,934	2,358	1,935
Total	**668**	**563**	**449**	**519**	**446**	**354**	**3,694**	**3,953**	**3,411**

RULES GOVERNING THE STATUTE CHANGE OF THE BANK

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

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

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

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

GOVERNING BODIES OF THE BANK

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

The General Meeting of Shareholders is the supreme governing body of the Bank. The right of participating at the General Meeting is vested to the shareholders of the Bank whereas the Board members and the administration staff who are not the shareholders can also attend the General Meeting with the right of deliberative vote.

The Supervisory Council of the Bank is a collective body conducting the supervision over the Bank’s activities. The Supervisory Council of the Bank is formed of 7 members elected by the General Meeting of Shareholders for a 4-year term.

The Board of the Bank is a collective body of the Bank’s management. The Board of the Bank directs the Bank, manages its matters, represents it and is responsible for the fulfilment of the Bank’s operations according to laws. The Board of the Bank consisting of 5 members is elected by the Supervisory Council of the Bank for a term not exceeding 4 years.

Head of Administration in the Bank (CEO) manages and administrates the Bank. The Head of the Bank Administration is an individual body of the Bank’s management. The Head of Administration is elected by the Board of the Bank.

MEMBERS OF GOVERNING BODIES

As of 31 December 2008 members of AB Ūkio Bankas governing bodies, commencement and end of their office term and participation in the share capital are presented in the table below:

Full name	Position	Number of shares held	Percentage of Bank capital, %	Percentage of votes, %
SUPERVISORY COUNCIL OF THE BANK				
Varanavičius Liutauras (elected 24 March 2006, office term expires in 2010)	Chairman	29,722	0.0151	0.0151
Lowenhav Ulf (elected 24 March 2006, office term expires in 2010)	Deputy Chairman	2,229	0.0011	0.0011
Gončaruk Olga (elected 24 March 2006, office term expires in 2010)	Member	6,501,496	3.3052	3.3052
Jakavičienė Gražina (elected 24 March 2006, office term expires in 2010)	Member	9,031	0.0046	0.0046
Kurauskienė Ala (elected 24 March 2006, office term expires in 2010)	Member	324,100	0.1648	0.1648
Soldatenko Viktor (elected 24 March 2006, office term expires in 2010)	Member	2,229	0.0011	0.0011
Butkus Leonas Rimantas (elected 24 March 2006, office term expires in 2010)	Member	2,229	0.0011	0.0011
BOARD OF THE BANK				
Karpavičienė Edita (appointed 24 March 2006, office term expires in 2010)	Chairwoman, Deputy CEO	157,999	0.0803	0.0803
Ugianskis Gintaras (appointed 24 March 2006, office term expires in 2010)	Deputy Chairman, CEO	74,959	0.0381	0.0381
Balandis Rolandas (appointed 24 March 2006 office term expires in 2010)	Member, Head of International Banking Division	64,100	0.0326	0.0326
Žalys Arnas (appointed 24 March 2006, office term expires in 2010)	Member, Head of Finance Division	40,810	0.0207	0.0207
Grigaliauskas Antanas (appointed 24 March 2006, office term expires in 2010)	Member, Director of UAB Ūkio banko rizikos kapitalo valdymas	80,896	0.0411	0.0411
CHIEF ACCOUNTANT				
Petraitienė Vidutė Since 1 July 1999 to present	Head of Accounting Department – Chief Accountant	503	0.0003	0.0003

INFORMATION ABOUT AGREEMENTS OF WHICH THE BANK IS A PART

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

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

RELATED PARTIES TRANSACTIONS

The information on related parties transactions for the year ended 31 December 2008 is presented in Note 40 to the financial statements.

INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Information on compliance with the corporate governance code is provided in the annex to annual report (pages 97 to 115).

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

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

At the end of 2008 AB Ūkio Bankas ranked 7th by assets among the banks in Lithuania. In 2008 the Bank's assets increased by LTL 205 million (5%) and as of 31 December 2008 amounted to LTL'000 4,224,250. In 2008, the assets of the Group decreased by LTL 340 million (8%) and as of 31 December 2008 amounted to LTL'000 3,984,653.

As of 31 December 2008, the Bank had 12 branches and 47 client service departments in Lithuania and 2 representative offices in foreign countries (Ukraine and Kazakhstan). During the year 2008, 7 new client service departments were opened. In addition, the Bank, directly and indirectly, has 5 (five) 100% subsidiaries. In 2008, the Bank disposed of shares of three 100% owned subsidiaries: UAB Turto Valdymo Strategija (which controlled 99% of OAO Russkij Karavaj shares), UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos.

As of 31 December 2008, the Banking segment includes financial information of AB Ūkio Bankas, Leasing segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ūkio Bank Lizing. Other activities segment includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas and GD UAB Bonum Publicum. Discontinued operations (attributed to other activities segment) include financial information of UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai, UAB Turto Valdymo Sistemos and OAO Russkij Karavaj.

For the year ended 31 December 2008 the Group's results by business segments are presented in the table below (LTL'000):

	2008				
	Banking	**Leasing**	**Other activities**	**Elimination**	**Group**
Net result from continuing and discontinued operations	**57,383**	**(5,064)**	**17,683**	**(21,989)**	**48,013**
Attributable to:					
Equity holders of the parent	*57,383*	*(5,064)*	*17,683*	*(21,989)*	*48,013*
Minority interest	-	-	-	-	-
Assets	4,224,250	380,751	349,691	(970,039)	3,984,653
Liabilities	3,749,747	369,710	326,418	(955,197)	3,490,678

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

Detailed information on main risks as well as on compliance with prudential requirements for the year ended 31 December 2008 is presented in Notes 32-39 of the financial statements.

ANALYSIS OF FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS

The results of the Bank's activity for the year ended 31 December 2008: net profit of LTL'000 57,383 – i.e. 31% less than in the year 2007. AB Ūkio Bankas Group earned net profit of LTL'000 48,013 in 2008 – i.e. 38% less than in the year 2007. In 2008 the Bank's assets increased by LTL 205 million (5%) and made LTL 4.2 billion at the year-end. In 2008 the assets of the Group decreased by LTL 340 million (8%) and made LTL 4.0 billion at the year-end. The main financial indicators of the Group and the Bank (in LTL thousand unless stated otherwise) are presented in the table below:

Group's indicators				ITEMS	Bank's indicators			
		Increase (Decrease)					Increase (Decrease)	
2008	2007	LTL'000	%		2008	2007	LTL'000	%
243,782	257,440	(13,658)	(5)	Operating profit before provisions and operating expenses	232,282	237,052	(4,770)	(2)
162,389	148,115	14,274	10	Operating expenses	139,973	129,074	10,899	8
81,393	109,325	(27,932)	(26)	Profit before provisions and income tax	92,309	107,978	(15,669)	(15)
42,483	17,521	24,962	142	Provision expense	30,217	11,014	19,203	174
38,910	91,804	(52,894)	(58)	Pre-tax profit	62,092	96,964	(34,872)	(36)
5,829	15,595	(9,766)	(63)	Income tax expense	4,709	14,240	(9,531)	(67)
33,081	76,209	(43,128)	(57)	Net profit from continuing operations	57,383	82,724	(25,341)	(31)
14,932	960	13,972		Net profit from discontinued operations	-	-	-	-
48,013	77,169	(29,156)	(38)	Net profit for the year	57,383	82,724	(25,341)	(31)
-	(108)	108		Net profit attributable to minority interest	-	-	-	-
48,013	77,277	(29,264)	(38)	Net profit attributable to the shareholders of the Bank	57,383	82,724	(25,341)	31
3,984,653	4,324,728	(340,075)	(8)	Assets	4,224,250	4,019,085	205,165	5
2,879,888	2,145,576	734,312	34	Loans and finance lease receivable	2,512,504	1,818,467	694,037	38
2,915,898	2,733,995	181,903	7	Due to customers	2,915,898	2,733,995	181,903	7
493,975	514,193	(20,218)	(4)	Equity	474,503	430,038	44,465	10
196,708	196,708	-	-	Number of ordinary shares in issue at the end period (thousands units)	196,708	196,708	-	-
196,708	184,598	12,110	7	Weighted average numbers of ordinary shares in issue (thousands units)	196,708	184,598	12,110	7
1.16	2.05	-	-	Return on assets,%	1.39	2.35	-	-
9.52	17.14	-	-	Return on equity, %	12.69	23.12	-	-
0.84	0.64	-	-	Expense / Income before income tax	0.73	0.59	-	-
0.24	0.42	-	-	Basic earnings per share (in LTL)	0.29	0.45	-	-
0.24	0.42	-	-	Diluted earnings per share (in LTL)	0.29	0.45	-	-

The main indicators of activity:

- In 2008 Ūkio Bankas Group earned net profit of LTL'000 48,013 – i.e. 38 % less than in the year 2007;
- In 2008 the Bank opened 7 new client service departments. At 31 December 2008 the Bank's service network consisted of 59 outlets – 12 branches and 47 client service departments. In addition as of 31 December 2008 the Bank had 2 representative offices in Kiev (Ukraine) and Almaty (Kazakhstan);
- In 2008, the Bank disposed of three 100 percent owned subsidiaries UAB Turto Valdymo Strategija (which controlled 99 percent of shares of OAO Russkij Karavaj), UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos;
- As of 31 December 2008 the Bank had 145 thousand customers – i.e. an increase of 20 percent during 2008.
- The Bank's wholly owned leasing subsidiary UAB Ūkio Banko Lizingas offers its services through about 3 thousand sales points located throughout entire Lithuania. As of 31 December 2008 UAB Ūkio Banko Lizingas had 180 thousand customers – i.e. the number of customers increased by 2 percent during the year;

- In 2008 compared to previous year, Group's operating profit before impairment charge decreased by 5 percent and made LTL 244 million. The Group's expenses before provisions and income tax increased by 10 percent and made LTL 162 million;
- Throughout 2008, the Bank and the Group complied with all the prudential requirements set by the Bank of Lithuania. As of 31 December 2008, the Group's capital adequacy ratio was 13.29 percent (requirement – not less than 8 percent), liquidity ratio – 35.99 percent (requirement – not less than 30 percent).

Credit ratings
Ratings assigned to AB Ūkio Bankas by the international rating agency Moody's as of 31 December 2008 were as follows:
- Deposit rating Ba3/NP (unchanged since 2007).
- Financial strength rating D- (unchanged since 2007).

The outlook of ratings is under review (as of 31 December 2007 the outlook was stable).

International rating agency Standard&Poor's has assigned the following ratings to AB Ūkio Bankas:
- Long-term counterparty credit rating BB (unchanged since 2007).
- Short-term counterparty credit rating B (unchanged since 2007).

The outlook of ratings is negative (as of 31 December 2007 the outlook was stable).

Income and expenses
As compared to previous year, the operating profit before provisions and operating expenses of AB Ūkio Bankas Group decreased by LTL 14 million or 5 percent to LTL 244 million. Growth of interest earning assets offset the negative impact of increased cost of borrowing, and net interest income increased by 23% up to LTL 144 million. Decrease in number of banking operations performed by customers caused the reduction of net service fee and commission income by 6% to LTL 98 million. Net result from trading activities, impacted by the global downturn in financial markets, decreased by LTL 41 million and comprised a loss LTL 13 million. Other income, mainly impacted by net insurance income, increased twice and amounted to LTL 15 million. Income structure of the Group and the Bank (in LTL thousand) is presented in the table below:

The Group					**The Bank**			
		INCREASE (DECREASE)					**INCREASE (DECREASE)**	
2008	**2007**	**LTL'000**	**%**	**ITEM**	**2008**	**2007**	**LTL'000**	**%**
143,899	117,467	26,432	23	Net interest income	108,948	98,520	10,428	11
97,662	104,238	(6,576)	(6)	Net service fees and commission income	99,617	106,043	(6,426)	(6)
(12,999)	28,209	(41,208)		Net trading (loss) income	21,242	28,446	(7,204)	(25)
15,220	7,526	7,694	102	Other income	2,475	4,043	(1,568)	(39)
243,782	**257,440**	**(13,658)**	**(5)**	**Operating profit before impairment charge**	**232,282**	**237,052**	**(4,770)**	**(2)**

Expansion of AB Ūkio Bankas Group, increased service network and number of customers caused the increase in the Group's operating expenses in 2008 by LTL 14 million to LTL 162 million. 32% of these expenses consisted of staff expenses, which increased by LTL 7 million to LTL 52 million. Changes in Lithuanian and global economics caused the impairment charge for credit losses to increase 2.4 times up to LTL 42 million, income tax expenses decreased by 63% down to LTL 6 million.

Assets, liabilities and equity
During 2008 the Group's assets decreased by LTL 340 million, i.e. 8%, and amounted to LTL 3.98 billion at the year-end. Largest share of the Group's assets – i.e. 72% consisted of loans and finance lease receivables, which increased by 34% from the beginning of the year and amounted to LTL 2.88 billion as of 31 December 2008. Securities portfolio at the end of 2008 amounted to LTL 455 million i.e. 11% of Group's assets, during 2008 they decreased by LTL 190 million. Due from banks and other financial institutions comprised 7% of the Group's assets as of 31 December 2008. During 2008 they decreased by LTL 525 million.

The largest share of the Group's liabilities – i.e. 84% - consisted of deposits from customers, which increased by LTL 182 million or 7% during 2008 and amounted to LTL 2.92 billion at the year-end. Due to banks and other financial institutions, which comprised 11% of the Group's liabilities, decreased by LTL 338 million during 2008 and amounted to LTL 380 million at the year-end. The Group's equity showed a decrease by 4% and amounted to LTL 494 million at the year-end.

INFORMATION ON ACQUIRED OR DISPOSED OWN SHARES

As of 31 December 2008 and 2007 the Bank did not have own shares. During the year 2008 the Bank did not acquire or dispose own shares.

SIGNIFICANT EVENTS THAT HAPPENED AFTER THE END OF FINANCIAL YEAR

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

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

The deteriorating economic situation has had a negative impact on the financial condition and performance of the Bank and the Group in 2008, principally in increasing provisions for impairment losses, and is expected to impact the future operations in 2009. This factor will cause quantitative reduction in the Group's activities – both deposit and loan amounts are expected to decrease at the market and the Group level. The key priorities of the Bank's activities for 2009 will be exclusive attention to the management of financial portfolio and improvement of operating efficiency of the Bank through optimization of the Bank costs and concurrently adjusting to the changing economic environment. The Bank expects to end the year 2009 profitably; however, irrespective of all measures to be taken the key financial indicators of the Bank (ROE and cost-to-income ratio) of 2009 are expected to be worse than in 2008.

INFORMATION ON PUBLICLY PRESENTED INFORMATION

25 January 2008 AB Ūkio Bankas announced the preliminary, non-audited result of AB Ūkio Bankas for the financial year 2007 and forecast and presumptions of target activity result for the year 2008. Non-audited net profit of AB Ūkio bankas for the year 2007 – LTL 82.5 million (EUR 23.9 million) – i.e. 74 percent more than in 2006. In 2007, the Bank's assets increased by LTL 995 million i.e. 33 percent, and reached LTL 4.02 billion (EUR 1.16 billion) as of 31 December 2007.

In 2008 AB Ūkio Bankas plans to earn a net profit of LTL 91.5 million (EUR 26.5 million). It is planned that the Bank's assets will reach LTL 5.47 billion (EUR 1.58 billion) at the year-end 2007 – i.e. will increase by 36 percent. Main presumptions behind the Bank's plan are as follows: the number of customers of Ūkio Bankas will increase by 25 percent, number of operations – by 12 percent. It is expected to attract 30 thousand new customers; planned realization of the investment to real estate in Moscow project influences the Bank's results of year 2008 only as much as constitutes the interest income from loans granted to subsidiaries for financing this Project; it is planned that in 2008 two branches in foreign countries will start their operations. Branch network in Lithuania will increase by not less than 5 new client service units; there will be no changes in the economy of Lithuania that would result in material change in LTL interest rates or unplanned growth of insolvent customers;

11 February 2008 Announced AB Ūkio Bankas unaudited net profit of January 2008 is LTL 5.8 million (EUR 1.7 million) – i.e. 10 percent more than of the same period of previous year, when a profit of LTL 5.3 million (EUR 1.5 million) was earned;

19 February 2008 Preliminary, unaudited result of AB Ūkio Bankas Group for the financial year 2007 was announced. Unaudited net profit of AB Ūkio Bankas Group for the year 2007 is LTL 75.4 million (EUR 21.8 million) – i.e. by 73 percent more than in 2006. In 2007, net profit of AB Ūkio Bankas Group was by LTL 7.1 million (EUR 2.1 million) lower than bank's unaudited unconsolidated profit of LTL 82.5 million (EUR 23.9 million), mainly because of the subsidiaries expenses related to the financing of investment to real estate in Moscow project;

22 February 2008 Convocation of an ordinary general meeting of AB Ūkio Bankas shareholders announced. The Bank's Board has approved the agenda of the meeting to be held on 27 March 2008;

12 March 2008 Announced AB Ūkio Bankas unaudited net profit of two months of year 2008 is LTL 11.8 million (EUR 3.4 million) – i.e. 11% more than of the same period of previous year, when a profit of LTL 10.6 million (EUR 3.1 million) was earned;

14 March 2008 Amendment to agenda of ordinary general meeting of shareholders was announced;

17 March 2008 Draft resolutions of the ordinary general meeting, to be held on 27 March 2008, prepared by the Board were announced;

27 March 2008 Announced resolutions of the Ordinary General Meeting of AB Ūkio Bankas shareholders;

10 April 2008 Announced AB Ūkio Bankas unaudited net profit of three months of year 2008 is LTL 16.1 million (EUR 4.7 million) – i. e. 11 percent more than of the same period of previous year,

	when a profit of LTL 14.5 million (EUR 4.2 million) was earned;
6 May 2008	Announced AB Ūkio Bankas consolidated unaudited activity result of three months of year 2008 is LTL 18.4 million (EUR 5.3 million) – i. e. 56 percent more than of the same period of previous year, when a profit of LTL 11.8 million (EUR 3.4 million) was earned;
10 May 2008	Announced AB Ūkio Bankas unaudited net profit of January-April 2008 is LTL 21.5 million (EUR 6.2 million) – i. e. the same as in the same period of previous year, when a profit of LTL 21.5 million (EUR 6.2 million) was earned;
10 June 2008	Announced AB Ūkio Bankas unaudited net profit of January-May 2008 is LTL 28.4 million (EUR 8.2 million) – i. e. the same as in the same period of previous year, when a profit of LTL 28.4 million (EUR 8.2 million) was earned;
20 June 2008	Announced that in the meeting of the Board of AB Ūkio Bankas as of 19 June 2008, a resolution was taken within limits of LTL 200,000,000 medium term maturity bond proposal program basic prospectus approved by the Security Commission of the Republic of Lithuania, to issue fixed rate bond emission and to approve final provisions of the issue. To view the final provisions, approved proposal of basic prospectus of LTL 200,000,000 of medium maturity term bond and related documents is possible at the AB Ūkio Bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank and the Internet website www.ub.lt.;
10 July 2008	Announced AB Ūkio Bankas unaudited net profit of January-June 2008 is LTL 50.6 million (EUR 14.7 million) – i. e. 1.6 percent more than of the same period of previous year, when a profit of LTL 49.8 million (EUR 14.4 million) was earned;
25 July 2008	Announced that as of 24 July 2008, AB Ūkio Bankas sold the shares and claims of its three subsidiaries UAB Turto valdymo strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos, which via OAO Russkij Karavaj financed and controlled the investment to real estate in Moscow project for LTL 282.8 million (EUR 81.9 million). Bank's realized profit from the transaction of sale of subsidiaries is LTL 27 million (EUR 7.8 million). The funds received will be used to strengthen the liquidity base and expand lending in Lithuania;
31 July 2008	Announced that on 30 July 2008 AB Ūkio Bankas finished the issue of first bond emission under LTL 200,000,000 medium term bonds offering program. During distribution period from 25 June 2008 till 30 July 2008 160,164 bonds with nominal value of LTL 100 and fixed 8 percent annual interest rate were issued. Redemption of bonds on 2 August 2010;
4 August 2008	Announced AB Ūkio Bankas consolidated unaudited activity result of six months of year 2008 is LTL 53.7 million (EUR 15.6 million) – i. e. 20 percent more than of the same period of previous year, when a profit of LTL 44.9 million (EUR 13.0 million) was earned;
11 August 2008	Announced AB Ūkio Bankas unaudited net profit of January-July 2008 is LTL 81.1 million (EUR 23.5 million) – i. e. 46.4 percent more than in the same period of previous year, when a profit of LTL 55.4 million (EUR 16.0 million) was earned;
21 August 2008	Announced that at the meeting of the Board of AB Ūkio Bankas as of 21 August 2008, a resolution was taken to issue fixed rate bond emissions in LTL and EUR under "LTL 200,000,000 medium term maturity bond proposal program basic prospectus" approved on 19 June 2008 by the Security Commission of the Republic of Lithuania, and to approve final provisions of the issues. To view the final provisions, approved "LTL 200,000,000 medium term maturity bond proposal program basic prospectus" and related documents is possible at the AB Ūkio Bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank and the Internet website www.ub.lt.;
10 September 2008	Announced AB Ūkio Bankas unaudited net profit of January-August 2008 is LTL 85.8 million (EUR 24.8 million) – i. e. 39.9 percent more than in the same period of previous year, when a profit of LTL 61.3 million (EUR 17.8 million) was earned;
25 September 2008	Announced that on 24 September 2008 AB Ūkio Bankas finished the issue of second bond emission under LTL 200,000,000 medium term bonds offering program. During distribution period from 25 August 2008 till 24 September 2008 197,286 bonds with nominal value of LTL 100 and fixed 8 percent annual interest rate were issued. Redemption of bonds on 27 September 2010;
25 September 2008	Announced that on 24 September 2008 AB Ūkio Bankas finished the issue of third bond emission under LTL 200,000,000 medium term bonds offering program. During distribution period from 25 August 2008 till 24 September 2008 13,640 bonds with nominal value of EUR 100 and fixed 7 percent annual interest rate were issued. Redemption of bonds on 27 September 2010;

10 October 2008	Announced AB Ūkio Bankas unaudited net profit of January-September 2008 is LTL 89.4 million (EUR 25.9 million) – i. e. 30.9 percent more than in the same period of previous year, when a profit of LTL 68.3 million (EUR 19.8 million) was earned;
10 October 2008	Announced that at the meeting of the Board of AB Ūkio Bankas as of 9 October 2008, a resolution was taken to issue fixed rate bond emissions in LTL and EUR under "LTL 200,000,000 medium term maturity bond proposal program basic prospectus" approved on 19 June 2008 by the Security Commission of the Republic of Lithuania, and to approve final provisions of the issues. To view the final provisions, approved "LTL 200,000,000 medium term maturity bond proposal program basic prospectus" and related documents is possible at the AB Ūkio Bankas secretary office, Maironio str. 25, Kaunas, branches and units of the Bank and the Internet website www.ub.lt.;
31 October 2008	Announced that AB Ūkio Bankas according to the provisions specified in Base Prospectus of Medium Term Bonds Offering Program and Final Terms and Conditions approved by the Board of the Bank as of 19 June 2008, at the initiative of the bondholders redeemed Fixed rate bond issue No. 1/2008, ISIN code – LT0000402372 bonds submitted for redemption prior to maturity. Amount of the bonds redeemed prior to maturity – 32,788 bonds;
7 November 2008	Announced AB Ūkio Bankas consolidated unaudited activity result of nine months of year 2008 is LTL 83.8 million (EUR 24.3 million) – i. e. 36 percent more than of the same period of previous year, when a profit of LTL 61.5 million (EUR 17.8 million) was earned;
10 November 2008	Announced AB Ūkio Bankas unaudited net profit of January-October 2008 is LTL 92.6 million (EUR 26.8 million) – i. e. 25.7 percent more than in the same period of previous year, when a profit of LTL 73.6 million (EUR 21.3 million) was earned;
13 November 2008	Announced that on 12 November 2008 AB Ūkio Bankas finished the issue of fourth and fifth bond emissions under LTL 200,000,000 medium term bonds offering program. During distribution period respectively 1,667 bonds of fourth bond emission with nominal value of LTL 100 and fixed 7.5 percent annual interest rate and 30 bonds of fifth bond emission with nominal value of EUR 100 and fixed 6.5 percent annual interest rate were issued. Redemption of both bond emissions on 14 November 2009;
19 November 2008	Announced that on 19 November 2008 AB Ūkio Bankas has repaid the syndicated loan of EUR 48 million (LTL 165.7 million), received on 26 November 2007 and loan of EUR 14 million (LTL 48.3 million), received on 30 June 2008;
10 December 2008	Announced AB Ūkio Bankas unaudited net profit of January-November 2008 is LTL 95.7 million (EUR 27.7 million) – i. e. 21.3 percent more than in the same period of previous year, when a profit of LTL 78.9 million (EUR 22.8 million) was earned.

All notifications provided and should be made public are announced in the Lietuvos Rytas daily in compliance with the terms set forth in the Republic of Lithuania laws and acts of law of the supervising institution and material events are delivered to the news agencies BNS and ELTA, the Lithuanian Securities Commission, and Vilnius Stock Exchange. Bank's notifications are also available on AB Ūkio bankas website www.ub.lt.

Edita Karpavičienė
Chairwoman of the Board

Kaunas, Lithuania

27 February 2009

AB ŪKIO BANKAS

BALANCE SHEETS
AS OF 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2008	The Group 2007 as re-presented (Note 5)	The Bank 2008	The Bank 2007 as re-presented (Note 5)
ASSETS					
Cash and balances with central bank	**6**	188,875	202,382	188,874	202,381
Loans and advances to banks and other financial institutions	**7**	294,340	819,913	928,873	1,224,355
Financial assets at fair value through profit or loss	**8**	45,250	233,227	26,511	213,546
Loans and finance lease receivable	**9**	2,879,888	2,145,576	2,512,504	1,818,467
Investment securities:					
available-for-sale	**10**	*50,676*	*33,777*	*50,482*	*31,281*
held-to-maturity	**10**	*375,208*	*394,845*	*372,011*	*393,694*
Investments in subsidiaries	**11**	-	-	39,821	42,821
Intangible assets	**13**	22,671	26,217	2,778	2,347
Property, plant and equipment	**14**	30,928	353,784	27,934	23,424
Investment property	**14**	26,026	23,638	16,052	13,730
Deferred tax assets	**29**	910	-	910	-
Other assets	**15**	69,881	91,369	57,500	53,039
Total assets		**3,984,653**	**4,324,728**	**4,224,250**	**4,019,085**
LIABILITIES AND EQUITY					
LIABILITIES					
Due to banks and other financial institutions	**16**	380,635	718,968	673,783	698,077
Financial liabilities at fair value through profit or loss		1,161	3,760	1,223	3,757
Due to customers	**17**	2,915,898	2,733,995	2,915,898	2,733,995
Debt securities in issue	**18**	24,784	-	27,021	-
Subordinated loans	**19**	103,220	101,784	103,220	101,784
Deferred tax liabilities	**29**	1,186	39,937	-	3,081
Other liabilities	**20**	63,794	212,091	28,602	48,353
Total liabilities		**3,490,678**	**3,810,535**	**3,749,747**	**3,589,047**
EQUITY					
Share capital	**21**	196,708	196,708	196,708	196,708
Share premium		76,500	76,500	76,500	76,500
Revaluation reserve - available-for-sale investment securities		(110)	10,178	-	8,984
General reserve for losses of assets		49,116	21,543	49,116	21,543
Fixed assets revaluation reserve		-	79,874	-	-
Currency translation reserve		2,358	7,546	-	-
Legal reserve		11,245	5,300	10,971	4,900
Other reserves		50,000	2,000	50,000	2,000
Retained earnings		108,158	113,519	91,208	119,403
Equity attributable to equity holders of the parent		**493,975**	**513,168**	**474,503**	**430,038**
Minority interest		-	1,025	-	-
Total equity		**493,975**	**514,193**	**474,503**	**430,038**
Total liabilities and equity		**3,984,653**	**4,324,728**	**4,224,250**	**4,019,085**

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

The financial statements were approved by the Board of the Bank on 27 February 2009 and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2008	The Group 2007 as re-presented (Note 5)	The Bank 2008	The Bank 2007
CONTINUING OPERATIONS					
Interest income	22	283,096	215,104	249,760	194,614
Interest expense	22	(139,197)	(97,637)	(140,812)	(96,094)
Interest income, net		**143,899**	**117,467**	**108,948**	**98,520**
Fees and commission income	23	115,148	125,599	115,991	126,815
Fees and commission expense	23	(17,486)	(21,361)	(16,374)	(20,772)
Fees and commission income, net		**97,662**	**104,238**	**99,617**	**106,043**
Net gains from dealing in foreign currencies	24	35,937	41,581	36,281	41,910
Net losses from financial assets at fair value through profit or loss	24	(46,248)	(15,987)	(39,302)	(16,079)
Net gains (losses) arising from investment securities	24	(2,688)	2,615	24,263	2,615
Impairment charge for credit losses	33	(43,073)	(18,545)	(30,807)	(12,038)
Recoveries of loans written off		590	1,024	590	1,024
Insurance income, net		12,532	1,826	-	-
Dividend income		178	422	177	422
Other operating income	25	2,510	5,278	2,298	3,621
Operating profit before operating expenses		**201,299**	**239,919**	**202,065**	**226,038**
Operating expenses	26, 27	(162,389)	(148,115)	(139,973)	(129,074)
Profit before income tax		**38,910**	**91,804**	**62,092**	**96,964**
Income tax expense	28	(5,829)	(15,595)	(4,709)	(14,240)
Net profit for the year from continuaing operations		**33,081**	**76,209**	**57,383**	**82,724**
Profit for the year from discontinued operations	12	**14,932**	**960**	**-**	**-**
NET PROFIT FOR THE YEAR		**48,013**	**77,169**	**57,383**	**82,724**
Attributable to:					
Equity holders of the parent		48,013	77,277	57,383	82,724
Minority interest		-	(108)	-	-
NET PROFIT FOR THE YEAR		**48,013**	**77,169**	**57,383**	**82,724**
EARNINGS PER SHARE					
From continuing and discontinued operations:	30				
Basic (in LTL)		0.24	0.42	0.29	0.45
Diluted (in LTL)		0.24	0.42	0.29	0.45
From continuing operations:	30				
Basic (in LTL)		0.17	0.41	0.29	0.45
Diluted (in LTL)		0.17	0.41	0.29	0.45

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

The financial statements were approved by the Board of the Bank on 27 February and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

The Bank	Share Capital	Share premium	Other reserves	Revaluation reserve on available-for-sales investment securities	General reserve for losses of assets	Legal reserve	Retained earnings	Total
As of 31 December 2006	**176,708**	**34,500**	**2,000**	**7,484**	**8,377**	**2,183**	**54,330**	**285,582**
Dividends paid	-	-	-	-	-	-	(1,768)	(1,768)
Changes in fair value of investment securities available-for-sale, net of tax	-	-	-	1,500	-	-	-	1,500
Transfer to legal reserve	-	-	-	-	-	2,717	(2,717)	-
Transfer to general reserve for losses of assets	-	-	-	-	13,166	-	(13,166)	-
Issue of shares (note 21)	20,000	42,000	-	-	-	-	-	62,000
Net profit	-	-	-	-	-	-	82,724	82,724
As of 31 December 2007 (as re-presented)	**196,708**	**76,500**	**2,000**	**8,984**	**21,543**	**4,900**	**119,403**	**430,038**
Transfer to legal reserve	-	-	-	-	-	6,071	(6,071)	-
Transfer to general reserve for losses of assets	-	-	-	-	27,573	-	(27,573)	-
Dividends paid	-	-	-	-	-	-	(3,934)	(3,934)
Changes in fair value of investment securities available-for-sale, net of tax	-	-	-	(8,984)	-	-	-	(8,984)
Transfer to retained earnings	-	-	(2,000)	-	-	-	2,000	-
Transfer to other reserves	-	-	50,000	-	-	-	(50,000)	-
Net profit	-	-	-	-	-	-	57,383	57,383
As of 31 December 2008	**196,708**	**76,500**	**50,000**	**-**	**49,116**	**10,971**	**91,208**	**474,503**

(Continued)

AB ŪKIO BANKAS

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

The Group	Share Capital	Share premium	Other reserves	Revaluation reserve on available-for-sale investment securities	General reserve for losses of assets	Fixed assets revaluation reserve	Foreign currency translation reserve	Legal reserve	Retained earnings	Equity attributable to equity holders of the parent	Minority interest	Total
As of 31 December 2006	**176,708**	**34,500**	**2,000**	**8,191**	**8,377**	**60,145**	**5,492**	**2,296**	**58,958**	**356,667**	**29,586**	**386,253**
Dividends paid	-	-	-	-	-	-	-	-	(1,768)	(1,768)	-	(1,768)
Transfer to legal reserve	-	-	-	-	-	-	-	3,004	(3,004)	-	-	-
Transfer to reserve for losses of assets	-	-	-	-	13,166	-	-	-	(13,166)	-	-	-
Currency translation adjustment	-	-	-	-	-	-	356	-	-	356	20	376
Decrease in fixed assets revaluation reserve, net of tax	-	-	-	-	-	(9,474)	-	-	-	(9,474)	(191)	(9,665)
Changes in fair value of investment securities available-for-sale, net of tax	-	-	-	1,987	-	-	-	-	-	1,987	-	1,987
Issue of shares (note 21)	20,000	42,000	-	-	-	-	-	-	-	62,000	-	62,000
Acquisition of minority shares	-	-	-	-	-	29,203	1,698	-	(2,619)	28,282	(28,282)	-
Adjustment to profit of previous years of subsidiary	-	-	-	-	-	-	-	-	(2,159)	(2,159)	-	(2,159)
Net profit (loss)	-	-	-	-	-	-	-	-	77,277	77,277	(108)	77,169
As of 31 December 2007 (as re-presented (Note 5))	**196,708**	**76,500**	**2,000**	**10,178**	**21,543**	**79,874**	**7,546**	**5,300**	**113,519**	**513,168**	**1,025**	**514,193**
Dividends paid	-	-	-	-	-	-	-	-	(3,934)	(3,934)	-	(3,934)
Transfer to other reserves	-	-	50,000	-	-	-	-	-	(50,000)	-	-	-
Transfer to retained earnings	-	-	(2,000)	-	-	-	-	-	2,000	-	-	-
Transfer to legal reserve	-	-	-	-	-	-	-	6,245	(6,245)	-	-	-
Transfer to reserve for losses of assets	-	-	-	-	27,573	-	-	-	(27,573)	-	-	-
Currency translation adjustment	-	-	-	-	-	-	2,569	-	-	2,569	(17)	2,552
Decrease in fixed assets revaluation reserve, net of tax	-	-	-	-	-	(47,795)	-	-	-	(47,795)	(468)	(48,263)
Changes in fair value of investment securities available for sale, net of tax	-	-	-	(10,288)	-	-	-	-	-	(10,288)	-	(10,288)
Disposal of subsidiaries	-	-	-	-	-	(32,079)	(7,757)	(300)	32,378	(7,758)	(540)	(8,298)
Net profit	-	-	-	-	-	-	-	-	48,013	48,013		48,013
As of 31 December 2008	**196,708**	**76,500**	**50,000**	**(110)**	**49,116**	**-**	**2,358**	**11,245**	**108,158**	**493,975**	**-**	**493,975**

(Concluded)

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

The financial statements were approved by the Board of the Bank on 27 February 2009 and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2008	The Group 2007 as re-presented (Note 5)	The Bank 2008	The Bank 2007 as re-presented (Note 5)
Cash flows from (to) operating activities					
Net profit for the year		48,013	77,169	57,383	82,724
Adjustments to net profit:					
Income tax expense recognized in profit or loss		5,829	15,595	4,709	14,240
Gain on disposal of subsidiaries		(14,932)	-	(27,000)	-
Impairment charge for credit losses		43,073	18,545	30,807	12,038
Interest income		(283,096)	(215,104)	(249,760)	(194,614)
Interest expense		139,197	97,637	140,812	96,094
Dividends income		(178)	(422)	(177)	(422)
Depreciation and amortization		7,299	5,284	6,530	4,840
Increase in fair value of investments		-	(5,492)	-	(4,059)
(Profit) loss from sales of property, plant and equipment		38	(2)	57	-
Cash from (to) operating profits before changes in operating assets and liabilities		**(54,757)**	**(6,790)**	**(36,639)**	**10,841**
Changes in operating assets and liabilities					
Net change in balances with Central Bank		29,371	4,205	29,371	4,205
Net change in investment securities		(9,307)	(130,784)	(8,135)	(147,199)
Net change in loans to banks and other financial institutions		(12,568)	486,996	(241,470)	468,025
Net change in financial assets at fair value through profit or loss		186,399	120,741	185,457	169,020
Net change in loans and finance lease		(511,025)	(1,164,100)	(716,658)	(1,023,889)
Net change in other assets		(2,747)	(14,146)	(5,111)	(34,679)
Net change in due to banks and other financial institutions		(339,731)	126,705	(25,676)	113,791
Net change in financial liabilities at fair value through profit or loss		(2,599)	3,760	(2,534)	-
Net change in due to customers		148,904	594,366	148,904	596,505
Net change in other liabilities		(141,028)	131,301	(8,830)	22,406
Cash generated from (used in) operations		**(709,088)**	**152,254**	**(681,321)**	**179,026**
Interest received		267,460	209,198	238,610	177,996
Interest paid		(101,454)	(73,202)	(103,085)	(71,734)
Income tax paid		(20,167)	(14,891)	(19,025)	(13,315)
Net cash generated from / (used in) operating activities		**(563,249)**	**273,359**	**(564,821)**	**271,973**

(Continued)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(All amounts in LTL thousands unless otherwise stated)

	Notes	The Group 2008	The Group 2007 as re-presented (Note 5)	The Bank 2008	The Bank 2007 as re-presented (Note 5)
Cash flows from (to) investing activities					
Dividends received		178	422	177	422
Acquisition of subsidiaries		-	(35,758)	-	(38,221)
Proceeds on sale of subsidiaries		29,875	-	30,000	-
Acquisition of property, plant and equipment and investment property		(13,336)	(25,339)	(12,587)	(9,225)
Sales of property plant and equipment		646	1,598	620	1,585
Acquisition of intangible assets		(2,018)	(2,343)	(1,883)	(2,219)
Net cash generated from / (used in) investing activities		**15,345**	**(61,420)**	**16,327**	**(47,658)**
Cash flows from (to) financing activities					
Proceeds from issues of equity shares		-	62,000	-	62,000
Dividends paid		(3,897)	(1,768)	(3,897)	(1,768)
Debt securities issued		79,657	-	81,894	-
Debt securities redeemed		(54,873)	-	(54,873)	-
Subordinated loans received		-	91,734	-	91,734
Net cash generated from financing activities		**20,887**	**151,966**	**23,124**	**151,966**
Net (decrease) increase in cash and cash equivalents		**(527,017)**	**363,905**	**(525,370)**	**376,281**
Effect of exchange rate changes on cash and cash equivalents		**748**	**12,446**	**-**	**-**
Cash and cash equivalents at the beginning of the year	**31**	**687,350**	**310,999**	**686,062**	**309,781**
Cash and cash equivalents at the end of the year	**31**	**161,081**	**687,350**	**160,692**	**686,062**

(Concluded)

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

The financial statements were approved by the Board of the Bank on 27 February 2009 and signed on its behalf by:

E. Karpavičienė
Chairwoman of the Board

V. Petraitienė
Chief Accountant

NOTE 1 GENERAL INFORMATION

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

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

The Bank has 12 branches and 47 client service departments in Lithuania and 2 representative offices in foreign countries (Ukraine and Kazakhstan). In addition, the Bank controls, directly or indirectly, 5 subsidiaries: UAB Ūkio Banko Lizingas, set up in 1997; Ūkio Banko Investicijų Valdymas, set up in 2006; GD UAB Bonum Publicum, acquired in 2007 and Ūkio Banko Rizikos Kapitalo Valdymas, set up in 2007. UAB Ūkio Banko Lizingas has set up RAB Ūkio Bank Lizing (Ukraine) in 2006.

As of 31 December 2008 the Group and the Bank employed 841 and 723 employees respectively (as of 31 December 2007: 761 and 630).

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

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

	2008	2007
Vladimir Romanov	32.95%	32.95%
UAB Universal Business Investment Group Management	9.99%	7.58%
Zinaida Romanova	8.73%	7.58%
UAB First Partneriai	5.88%	-
UAB FMĮ Finbaltus	2.14%	8.12%

NOTE 2 ADOPTION OF THE NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

In the current year, the Bank and the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB and that are relevant to the Bank and the Group operations.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' – 'Reclassification of Financial Assets' (effective on or after 1 July 2008);

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' – 'Effective date and transition' (effective on or after 1 July 2008, not yet endorsed by the EU);

- IFRIC 14, IAS 19 – 'The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008), provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement;

- IFRIC 11, IFRS 2 – 'Group and treasury share transactions' (effective from 1 March 2007), provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity- settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent;

- IFRIC 12 'Service Concession Arrangements' (effective for accounting periods beginning on or after 1 January 2008, however, not yet adopted by EU). The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards to account for the obligations they undertake and rights they receive in service concession arrangements.

The adoption of these new and revised Standards and Interpretations has not resulted in material changes to the Bank's and Group's accounting policies.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IAS 23 (Revised) 'Borrowing Costs' (effective for accounting periods beginning on or after 1 January 2009). According to this amendment borrowing costs, that are directly attributable to the acquisition, construction and production of a qualifying asset, should form part of the cost of that asset;

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period;

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amendment deals with vesting conditions and cancellations;

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009);

- IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost;

- IAS 27 (Revised) 'Consolidated and separate financial statements' (effective from 1 July 2009, not yet endorsed by EU);

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009, not yet endorsed by EU). The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non – controlling interest either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed;

- IFRS 1 (Revised) 'First-time Adoption of IFRS (effective for accounting periods beginning on or after 1 January 2009, not yet endorsed by EU);

- Amendments to IFRS 1 'First-time Adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' – Cost of Investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);

- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – 'Eligible Hedged Items' (effective for accounting periods beginning on or after 1 July 2009, not yet endorsed by EU);

- In May 2008 the Board of IASB issued its first omnibus of amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS (IAS 1, IFRS 5, IFRS 7, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009, not yet endorsed by EU). The standard clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009); The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers;

- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008). The interpretation specifies how customer loyalty programs should be accounted for;

- IFRIC 15 'Agreements for the Construction of Real Estate' (effective for accounting periods beginning on or after 1 January 2009, not yet endorsed by EU);

- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective October 1, 2008, not yet endorsed by EU);

- IFRIC 17 'Distribution of Non-cash Assets to Owners' (effective for accounting periods beginning on or after 1 July 2009, not yet endorsed by EU); and

- IFRIC 18 'Transfers of Assets from Customers' (effective for transfers of assets from customers received on or after 1 July 2009, not yet endorsed by EU).

The management of the Bank and the Group anticipates that the adoption of these Standards and Interpretations in will have no material impact on the financial statements in the period of initial application.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

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

The principal accounting policies adopted are set out below:

3.3 Principles of consolidation

As of 31 December 2008 the Group financial statements include the accounts of the Bank and the following subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100%
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100%
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Financial intermediation	Kaunas, Lithuania	100%
GD UAB Bonum Publicum	Life insurance	Vilnius, Lithuania	100%
RAB Ūkio Bank Lizing *	Finance lease	Kiev, Ukraine	100%

* UAB Ūkio Banko Lizingas owns 100% of shares of RAB Ūkio Bank Lizing.

As of 31 December 2007 the Group financial statements include the accounts of the Bank and the following subsidiaries:

Name	Activity	Country	Ownership share
UAB Ūkio Banko Lizingas	Finance lease	Kaunas, Lithuania	100 %
UAB Turto Valdymo Strategija	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto Valdymo Sprendimai	Financial intermediation	Kaunas, Lithuania	100 %
UAB Turto Valdymo Sistemos	Financial intermediation	Kaunas, Lithuania	100 %
UAB Ūkio Banko Investicijų Valdymas	Financial intermediation	Kaunas, Lithuania	100 %
UAB Ūkio Banko Rizikos Kapitalo Valdymas	Financial intermediation	Kaunas, Lithuania	100 %
GD UAB Bonum Publicum	Life insurance	Vilnius, Lithuania	100 %
OAO Russkij Karavaj *	Real estate and financial intermediation	Moscow, Russia	99 %
RAB Ūkio Bank Lizing **	Finance lease	Kiev, Ukraine	100 %

* UAB Turto Valdymo Strategija owns 99% of shares of OAO Russkij Karavaj.
** UAB Ūkio Banko Lizingas owns 100% of shares of RAB Ūkio Bank Lizing.

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

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

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

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

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

3.4 Foreign currency transactions

Transactions denominated in foreign currencies are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities, including not matured commitments to deliver or acquire foreign currencies under spot exchange transactions, if any, are translated at the exchange rate effective at the balance sheet date.

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

	2008	**2007**
USD	2.4507	2.3572
EUR	3.4528	3.4528
100 RUB	8.3337	9.6085
10 UAH	3.2161	4.6649

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

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

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

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

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

3.5 Recognition of income and expenses

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

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

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

3.6 Financial assets

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

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

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

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

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

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

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

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

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

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

3.7 Debt and equity securities

Securities are classified into the following groups:

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

All securities are accounted for at settlement date.

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

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

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

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

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

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

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

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

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

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

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

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

3.8 Investments in subsidiaries

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

3.9 Non-current assets and disposal groups held for sale

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

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

3.10 Lease

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

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

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

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

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

<u>Group/Bank as lessor:</u>
When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable.

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

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

3.11 Cash and cash equivalents

Cash and cash equivalents consist of cash, precious metals and other valuables, funds with Bank of Lithuania (except the compulsory reserves), funds in bank correspondent accounts and overnight deposits in other banks.

3.12 Goodwill

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

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

3.13 Property, plant and equipment and intangible fixed assets (except for goodwill)

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

Software	3 years

Property, plant and equipment, excluding construction in progress, are stated at historical cost, less accumulated depreciation and impairment loss, if any. Property, plant and equipment are assets that are controlled by the Group/Bank, which expected to generate economic benefits in the future periods with the useful life exceeding one year, and which acquisition (manufacturing) costs could be reliably defined and is higher than LTL 1,000. Liquidation value is 1 Lt.

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

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

Construction in progress is stated at fair value. Revaluation of construction in progress is made with a sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date.

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

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

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

3.14 Investment property

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

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

3.15 Impairment of non financial assets

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

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

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

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

3.16 Foreclosed asset for bad debts and assets held for sale

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

3.17 Income tax

The Bank and the Group calculates the corporate income tax in accordance with Lithuanian tax regulations, except for foreign subsidiaries, for which corporate income tax is calculated in accordance with local tax legislation. In the year 2008 the Lithuanian income tax rate was 15%, in the year 2007 the tax rate was 15% plus additional temporary social tax at a rate of 3%. The taxable base for social tax was the same as that of corporate income tax. From 2009 the income tax rate is 20%. The 2008 corporate income tax rate for the subsidiary in Ukraine is 25% (2007: 25%).

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

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

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

Current and deferred income tax for the period
Current and deferred income tax is charged or credited to profit or loss, except when they relate to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

3.18 Financial liabilities

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

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

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

3.19 Issued debt securities

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

3.20 Insurance premium revenue and premium ceded to reinsurers

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

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

3.21 Insurance claims

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

3.22 Acquisition expenses

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

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

3.23 Technical provisions

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

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

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

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

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

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

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

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

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

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

3.24 Derivative financial instruments

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

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

3.25 Financial instruments with off-balance sheet risk

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

3.26 Fair value of financial instruments

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

3.27 Segment reporting

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of revenue and expenses that can be allocated to a segment, whether from external transactions or from transactions with other segments of the Group/Bank. Inter-segment transfer pricing is based on cost plus an appropriate margin, as specified by Group/Bank policy. Segment results are determined before any adjustments for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related adjustments that are reported as direct offsets in the Group's/Bank's balance sheet. Segment assets and liabilities do not include income tax items.

Primary reporting segment is a business segment, as the management of the Group identifies that the Group's risks and rates of return are affected predominantly by differences in the services provided. Business segments information is based on three business segments – banking, finance lease and other operations.

Secondary reporting segment is geographical segment. Geographical segments information is based on five segments – Lithuania, European Union, USA, CIS and other.

3.28 Related parties

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

3.29 Offsetting

The Bank and the Group offset a financial asset and a financial liability and reports the net amount in the balance sheet when the Bank and the Group:

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

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimates

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

Key sources of estimation uncertainty

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

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

The Bank and the Group has been impacted by the recent financial crisis and deteriorating economic conditions. According to public available information, the Lithuanian GDP declined by 2% in the IV quarter of 2008 compared to the same period of 2007, while the GDP growth during the year comprised 3.1%. It is the management of the Bank/Group's assessment, that the economic situation is expected to worsen further in 2009. The outlook has deteriorated significantly in recent months due to quickly weakening domestic economic activity and further deterioration in the economies of Lithuania's key trading partners. Economists' reports indicate that GDP is expected to decline approximately 4.9% in 2009 driven by the contraction in internal demand. Unemployment is expected to reach approximately 10.2% in 2009 and approximately 11.6% in 2010. Due to the higher unemployment, decreasing salaries and increasing pessimism, private consumption expenditure in 2009 is expected to decrease by approximately 11.7% and general government consumption expenditure is expected to decline by 9.4%. Although the net export contribution to GDP growth will be positive, it is not expected to be large enough to compensate for the fall in domestic demand.

The deteriorating economic situation in Lithuania already had a negative impact on the financial condition and performance of the Group and the Bank – in 2008, provision for the impairment of loans and finance lease receivables expenses showed a considerable increase. It is very likely that such tendencies will remain in 2009 thus adversely affecting performance of the Group and the Bank. The reduction in the country's GDP will affect the volumes of deposits and loans, which are likely to decrease both at the market and at the Group level.

According to scenario estimates, the capital adequacy and liquidity ratios of the Group and the Bank are expected to remain at satisfactory levels. The contingency plan included in annual stress testing results indicates prioritary sources of additional financial resources if needed. The key priorities of the Group's activities for 2009 will be exclusive attention to assuring asset quality and improvement of operating efficiency of the Group through optimization of Group's costs and concurrently adjusting to the changing operating environment. However, irrespective of all measures to be taken the key financial indicators of the Bank (ROE and cost-to-income ratio) of 2009 are expected to be worse than in 2008.

As a result of such economic situation and its development uncertainties actual future loan impairment losses may differ from recorded estimates at the end of 2008.

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

Estimated impairment of goodwill
The Group/Bank test goodwill for impairment annually. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. As of 31 December 2008 the carrying amount of goodwill related to acquisition of GD UAB Bonum Publicum was LTL'000 19,647. Goodwill was not impaired as of 31 December 2008.

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

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

NOTE 5 RE-PRESENTATION OF THE COMPARATIVE FINANCIAL INFORMATION

In the financial statements as of 31 December 2007, GD UAB Bonum Publicum was included in the financial statements as assets classified as held for sale. The Bank did not sell the shares of GD UAB Bonum Publicum within a period of one year after the date of acquiring the shares, therefore in July 2008 the decision to include GD UAB Bonum Publicum to the consolidated subsidiaries of the Bank was made. Therefore the comparative financial information as of 31 December 2007 was re-presented to include GD Bonum Publicum to the fully consolidated subsidiaries of the Group.

24 July 2008 the Bank sold the shares of UAB Turto Valdymo Strategija, UAB Turto valdymo Sprendimai and UAB Turto Valdymo Sistemos. The financial data of the entities sold is included as discontinued operations in the financial statements for the year ended 31 December 2008, comparative data is re-presented to include the results of the subsidiaries sold as discontinued operations. Please see note 12 for reconciliation of discontinued operations result.

Claims and liabilities from derivative financial instruments were reclassified from other assets/liabilities to financial assets/liabilities at fair value through profit or loss.

The impact of the above discussed re-presentation of the comparative financial information is as follows:

Balance sheet as of 31 December 2007 (the Group)	**as previously reported**	**re-presentation adjustment**	**as re-presented**
ASSETS			
Cash and balances with central bank	202,382	-	202,382
Loans and advances to banks and other financial institutions	817,702	2,211	819,913
Financial assets at fair value through profit or loss	197,818	35,409	233,227
Loans and finance lease receivable	2,144,896	680	2,145,576
Investment securities:			
available-for-sale	*33,765*	*12*	*33,777*
held-to-maturity	*394,857*	*(12)*	*394,845*
Intangible assets	6,471	19,746	26,217
Property, plant and equipment	353,424	360	353,784
Investment property	22,318	1,320	23,638
Other assets	103,413	(12,044)	91,369
Assets classified as held for sale	50,573	(50,573)	-
Total assets	**4,327,619**	**(2,891)**	**4,324,728**
LIABILITIES			
Due to banks and other financial institutions	719,000	(32)	718,968
Financial liabilities at fair value through profit or loss	-	3,760	3,760
Due to customers	2,733,995	-	2,733,995
Subordinated loans	101,784	-	101,784
Deferred tax liabilities	39,937	-	39,937
Other liabilities	195,732	16,359	212,091
Liabilities directly associated with assets classified as held for sale	20,364	(20,364)	-
Total liabilities	**3,810,812**	**(277)**	**3,810,535**
EQUITY			
Share capital	196,708	-	196,708
Share premium	76,500	-	76,500
Revaluation reserve – available-for-sale investment securities	10,451	(273)	10,178
General reserve for losses of assets	21,543	-	21,543
Fixed assets revaluation reserve	79,874	-	79,874
Currency translation reserve	7,546	-	7,546
Legal reserve	5,300	-	5,300
Other reserves	2,000	-	2,000
Retained earnings	115,860	(2,341)	113,519
Equity attributable to equity holders of the parent	**515,782**	**(2,614)**	**513,168**
Minority interest	1,025	-	1,025
Total equity	**516,807**	**(2,614)**	**514,193**
Total liabilities and equity	**4,327,619**	**(2,891)**	**4,324,728**

Balance sheet as of 31 December 2007 (the Bank)	**as previously reported**	**re-presentation adjustment**	**as re-presented**
ASSETS			
Cash and balances with central bank	202,381	-	202,381
Loans and advances to banks and other financial institutions	1,224,355	-	1,224,355
Financial assets at fair value through profit or loss	197,487	16,059	213,546
Loans and finance lease receivable	1,818,467	-	1,818,467
Investment securities:			
available-for-sale	*31,281*	-	*31,281*
held-to-maturity	*393,694*	-	*393,694*
Investments in subsidiaries	6,500	36,321	42,821
Intangible assets	2,347	-	2,347
Property, plant and equipment	23,424	-	23,424
Investment property	13,730	-	13,730
Assets classified as held for sale	36,594	(36,594)	-
Other assets	69,098	(16,059)	53,039
Total assets	**4,019,358**	**(273)**	**4,019,085**
LIABILITIES			
Due to banks and other financial institutions	698,077	-	698,077
Financial liabilities at fair value through profit or loss	-	3,757	3,757
Due to customers	2,733,995	-	2,733,995
Subordinated loans	101,784	-	101,784
Deferred tax liabilities	3,081	-	3,081
Other liabilities	52,110	(3,757)	48,353
Total liabilities	**3,589,047**	**-**	**3,589,047**
EQUITY			
Share capital	196,708	-	196,708
Share premium	76,500	-	76,500
Revaluation reserve – available-for-sale investment securities	9,257	(273)	8,984
General reserve for losses of assets	21,543	-	21,543
Legal reserve	4,900	-	4,900
Other reserves	2,000	-	2,000
Retained earnings	119,403	-	119,403
Total equity	**430,311**	**(273)**	**430,038**
Total liabilities and equity	**4,019,358**	**(273)**	**4,019,085**

Income statement for the year ended 31 December 2007 (the Group)	**as previously reported**	**re-presentation adjustment**	**as re-presented**
Continuing operations			
Net interest income	117,807	(340)	117,467
Fees and commission income, net	104,238	-	104,238
Net gains arising from dealing in foreign currencies	43,212	(1,631)	41,581
Net losses from revaluation and proceeds of financial assets at fair value through profit or loss	(16,011)	24	(15,987)
Net gains (losses) arising from investment securities	2,615	-	2,615
Impairment (charge) for credit losses	(18,546)	1	(18,545)
Recoveries of loans written off	1,024	-	1,024
Net insurance income	-	1,826	1,826
Dividend income	422	-	422
Other operating income	6,944	(1,666)	5,278
Operating expenses	(148,333)	218	(148,115)
Income tax expense	(16,021)	426	(15,595)
Net profit for the year from continuing operations	**77,351**	**(1,142)**	**76,209**
Net profit for the year from discontinued operations	**-**	**960**	**960**
Net profit for the year	**77,351**	**(182)**	**77,169**

Cash flow statement for the year ended 31 December 2007 (the Group)	**as previously reported**	**re-presentation adjustment**	**as re-presented**
Net cash from operating activities	161,172	112,187	273,359
Net cash (used in) investing activities	(25,601)	(35,819)	(61,420)
Net cash from financing activities	228,334	(76,368)	151,966

Cash flow statement for the year ended 31 December 2007 (the Bank)	**as previously reported**	**re-presentation adjustment**	**as re-presented**
Net cash from operating activities	156,568	115,405	271,973
Net cash (used in) investing activities	(11,337)	(36,321)	(47,658)
Net cash from financing activities	231,050	(79,084)	151,966

NOTE 6 CASH AND BALANCES WITH CENTRAL BANK

The Group 2008	**The Group 2007**		**The Bank 2008**	**The Bank 2007**
		Cash and balances with Central Bank		
127,280	156,651	Compulsory reserve	127,280	156,651
16,936	6,243	Funds on correspondent account (note 31)	16,936	6,243
44,659	39,481	Cash on hand (note 31)	44,658	39,480
-	7	Other (note 31)	-	7
188,875	**202,382**	**Total cash and balances with Central Bank**	**188,874**	**202,381**

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

NOTE 7 LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Loans and advances to banks and other financial institutions		
69,500	178,215	Funds in correspondent accounts	69,500	178,215
		Deposits:		
9,887	*458,681*	*Overnight deposits*	*9,887*	*458,681*
12,201	*35,075*	*Term deposits*	*9,670*	*33,527*
10,430	*11,870*	*Demand deposits*	*10,043*	*9,920*
		Loans:		
183,018	*94,272*	*Falling due within one year*	*183,018*	*155,301*
9,304	*41,800*	*Falling due after one year*	*652,594*	*388,711*
294,340	**819,913**	**Total loans and advances to banks and other financial institutions**	**934,712**	**1,224,355**
-	-	*Provisions for the impairment of loans and advances to banks and other financial institutions (note 33 (f))*	*(5,839)*	-
294,340	**819,913**	**Total loans and advances to banks and other financial institutions, net of provisions**	**928,873**	**1,224,355**

NOTE 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007 as re-presented (Note 5)
		Debt securities held for trading		
1,867	24,248	Debt securities of entities	-	22,257
2,156	71,538	Debt securities of banks and financial institutions	931	68,476
5,986	71,214	Government bonds	-	65,278
10,009	**167,000**	**Total**	**931**	**156,011**
15,771	**16,059**	**Derivatives**	**15,771**	**16,059**
		Equity securities held for trading		
19,377	40,463	Investment funds	9,716	31,871
93	7,449	Equity securities of entities	93	7,349
-	2,256	Equity securities of banks and financial institutions	-	2,256
19,470	**50,168**	**Total**	**9,809**	**41,476**
45,250	**233,227**	**Total financial assets at fair value thought profit or loss**	**26,511**	**213,546**

NOTE 9 LOANS AND FINANCE LEASE RECEIVABLE

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Loans and finance lease receivable		
1,601,682	1,203,751	Loans to small and medium size enterprises (SMEs)	1,597,899	1,203,752
733,879	468,112	Loans to other enterprises	733,879	435,055
391,700	284,586	Loans to individuals	262,066	236,460
253,259	254,666	Finance lease receivable	-	-
2,980,520	**2,211,115**	**Total loans and finance lease receivable**	**2,593,844**	**1,875,267**
(100,632)	(65,539)	Provisions for impairment loss of loans and finance lease receivable (note 33 (f))	(81,340)	(56,800)
(85,732)	*(58,877)*	*Provisions for impairment loss of loans receivable*	*(81,340)*	*(56,800)*
(14,900)	*(6,662)*	*Provisions for impairment loss of finance lease receivables*	-	-
2,879,888	**2,145,576**	**Total loans and finance lease receivable from customers, net of provisions**	**2,512,504**	**1,818,467**

As of 31 December 2008 the Group's/Bank's "Loans and finance lease receivable" balances include accrued interest in the amount of LTL'000 13,222 and LTL'000 8,446 respectively (31 December 2007: LTL'000 7,822 and LTL'000 5,546 respectively).

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

Minimum lease receivables 2008	Minimum lease receivables 2007		Present value of minimum lease receivables 2008	Present value of minimum lease receivables 2007
		Amounts receivable under finance leases		
141,261	152,408	Due within one year	121,400	132,688
93,839	86,357	Due within two and five years	77,193	72,473
15,322	17,842	Due after five years	11,807	13,790
250,422	**256,607**	**Total**	**210,400**	**218,951**
(40,022)	(37,656)	Less: unearned finance income	-	-
210,400	**218,951**	**Minimum lease receivable**	**210,400**	**218,951**
42,859	35,715	Add: VAT receivable	42,859	35,715
(14,900)	(6,662)	Provisions for impairment loss of finance lease receivable	(14,900)	(6,662)
238,359	**248,004**	**Finance lease receivable, net of provisions**	**238,359**	**248,004**

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

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Finance lease by type of assets leased		
40,211	23,521	Special equipment		
34,371	54,838	Computer equipment	-	-
22,651	28,789	Household equipment	-	-
22,093	20,182	Manufacturing equipment	-	-
21 180	26,778	Audio and video equipment	-	-
20,920	21,211	Real estate	-	-
17,159	17,231	Furniture	-	-
13,551	8,518	Vehicles	-	-
10,709	13,096	Construction materials	-	-
7,851	11,227	Mobile telephones	-	-
42,563	29,275	Other assets	-	-
253,259	**254,666**	**Total finance lease receivable by type of assets leased**	**-**	**-**
(14,900)	(6,662)	Provisions for impairment of finance lease receivable	-	-
238,359	**248,004**	**Total finance lease receivable by type of assets leased, net of provisions**	**-**	**-**

The Bank's subsidiary UAB Ūkio Banko Lizingas and its' subsidiary RAB Ūkio Bank Lizing is engaged in leasing business.

The average term of a lease contract is 24 months.

NOTE 10 INVESTMENT SECURITIES

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Equity investment securities available-for-sale		
11,509	24,759	Equity securities of entities available-for-sale	11,486	22,263
9,221	9,018	Equity securities of banks and financial institutions available-for-sale	9,050	9,018
20,730	**33,777**	**Total equity investment securities available-for-sale**	**20,536**	**31,281**
29,946	**-**	**Debt investment securities of banks and financial institutions available-for-sale**	**29,946**	**-**
50,676	**33,777**	**Total investment securities available-for-sale**	**50,482**	**31,281**
		Investment securities held to maturity		
123,242	150,698	Debt securities of entities held to maturity	123,140	150,698
205,789	239,109	Debt securities of banks and financial institutions held to maturity	202,981	238,250
46,177	5,038	Government debt securities held to maturity	45,890	4,746
375,208	**394,845**	**Total debt investment securities held to maturity**	**372,011**	**393,694**

As of 31 December 2008 investment securities held to maturity with carrying amount LTL'000 70,469 were pledged under repurchase agreements (note 16).

NOTE 11 INVESTMENTS IN SUBSIDIARIES

The Group			The Bank	
2008	2007		2008	2007 as re-presented (Note 5)
		Investments in subsidiaries		
		GD UAB Bonum Publicum	36,321	36,321
-	-	UAB Ūkio Banko Investicijų Valdymas	2,000	2,000
-	-	UAB Ūkio Banko Lizingas	1,000	1,000
-	-	UAB Ūkio Banko Rizikos Kapitalo Valdymas	500	500
-	-	UAB Turto Valdymo Sistemos	-	1,000
-	-	UAB Turto Valdymo Sprendimai	-	1,000
-	-	UAB Turto Valdymo Strategija	-	1,000
-	**-**	**Total investments in subsidiaries**	**39,821**	**42,821**

On 24 July 2008, the Bank and the Group disposed of 100% of the share capital of its 3 subsidiaries (UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos) in Lithuania and one subsidiary (OAO Russkiy Karavay) in Russia, 99% shares of which belonged to the Group.

NOTE 12 ACQUISITIONS AND DISPOSALS

On July 2, 2007, the Group acquired 100% of the share capital of life insurance company GD UAB Bonum Publicum (Vilnius, Lithuania). The acquired company contributed net profit of LTL'000 1,577 to the Group for the period from July to December 2007.

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

GD UAB Bonnum Publicum net assets	**Acqueree's carrying amount before combination**
Cash and cash equivalents	563
Loans and advances to banks and other financial institutions	9,354
Financial assets at fair value through profit or loss	7,582
Loans and finance lease receivable	650
Intangible assets	108
Property, plant and equipment	374
Investment property	1,233
Other assets	13,148
Liabilities	(16,338)
Goodwill	19,647
Total purchase consideration paid	**36,321**
Cost of acquisition	36,321
Less: Cash and cash equivalents in subsidiary acquired	(563)
Cash outflow on acquisition	**35,758**

On 24 July 2008, the Bank and the Group disposed of 100% of the share capital of its 3 subsidiaries (UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai and UAB Turto Valdymo Sistemos) in Lithuania and one subsidiary (OAO Russkiy Karavay) in Russia, 99% shares of which belonged to the Group for. The subsidiaries operated in the other activities segment and contributed a net profit of LTL'000 14,932 for the period from 1 January 2008 to 24 July 2008 (LTL'000 960 for the period from 1 January 2007 to 31 December 2007).

The net assets of disposed subsidiaries during 2008 and the gain (loss) on disposal were as follows:

UAB Turto Valdymo Strategija, UAB Turto Valdymo Sprendimai, UAB Turto valdymo Sistemos and OAO Russkij Karavaj net assets	**LTL'000**
Cash and cash equivalents	125
Investment securities available-for-sale	12
Goodwill	3,981
Property, plant and equipment	264,998
Other assets	22,522
Liabilities	(280,507)
Minority share	(540)
Net assets	**10,591**
Total consideration	30,000
Less: Cash and cash equivalents in subsidiaries sold	(125)
Cash inflow on sale	**29,875**

Analysis of the result of discontinued operations is as follows:

	2008	**2007**
Interest income	1,273	2,117
Interest expense	(3,032)	(1,463)
Interest income, net	**(1,759)**	**654**
Net gain from dealing in foreign currencies	862	1,631
Impairment charge for credit losses	(12,327)	(1)
Operating profit (loss)	**(13,224)**	**2,284**
Operating expenses	(395)	(896)
Profit before income tax	**(13,619)**	**1,388**
Income tax expense	(372)	(428)
Profit (loss) for the year from discontinued operations before gain on disposal of discontinued operations	**(13,991)**	**960**
Gain on disposal of operation (including reversal of foreign currency translation reserve on disposal of subsidiaries)	**28,923**	**-**
Net profit for the year from discontinued operations	**14,932**	**960**
Attributable to:		
Equity holders of the parent	14,932	1,068
Minority interest	-	(108)

NOTE 13 INTANGIBLE ASSETS

The Group				The Bank
Software	**Goodwill**	**Total**		**Software**
			Acquisition cost	
4,727	**3,981**	**8,708**	**As of 31 December 2006**	**4,517**
579	19,647	20,226	acquisition of subsidiary	-
2,343	-	2,343	additions	2,219
(7)	-	(7)	disposals, write-offs (-)	-
7,642	**23,628**	**31,270**	**As of 31 December 2007 (as re-presented)**	**6,736**
2,018	-	2,018	additions	1,883
-	(3,981)	(3,981)	disposals of subsidiaries	-
(493)	-	(493)	disposals, write-offs (-)	(464)
(2)	-	(2)	currency exchange differences	-
9,165	**19,647**	**28,812**	**As of 31 December 2008**	**8,155**
			Accumulated amortization	
3,428	**-**	**3,428**	**As of 31 December 2006**	**3,297**
471	-	471	acquisition of subsidiary	-
1,161	-	1,161	amortization	1,092
(7)	-	(7)	disposals, write-offs (-)	-
5,053	**-**	**5,053**	**As of 31 December 2007 (as re-presented)**	**4,389**
1,581	-	1,581	amortization	1,452
(493)	-	(493)	disposals, write-offs (-)	(464)
6,141	**-**	**6,141**	**As of 31 December 2008**	**5,377**
			Carrying amount	
2,589	**23,628**	**26,217**	**As of 31 December 2007 (as re-presented)**	**2,347**
3,024	**19,647**	**22,671**	**As of 31 December 2008**	**2,778**

The carrying value of the computer software acquired by the Bank under finance lease agreements as of 31 December 2008 amounted to LTL’000 407 (2007: LTL’000 324).

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

The Group	Buildings and other real estate	Vehicles	Office equipment	Construction in progress	Total
Historical cost \ revalued amount					
As of 31 December 2006	**8,068**	**7,021**	**16,824**	**332,194**	**364,107**
acquisition of subsidiary	-	395	294	-	689
additions	2,596	1,525	8,023	13,195	25,339
changes in fair value	-	-	-	(6,674)	(6,674)
disposals, write-offs (-)	-	(201)	(2,614)	-	(2,815)
currency exchange differences	-	-	(3)	(12,070)	(12,073)
As of 31 December 2007 (as re-presented (Note 5))	**10,664**	**8,740**	**22,524**	**326,645**	**368,573**
additions	92	1,271	9,585	-	10,948
impairment	-	-	-	(62,888)	(62,888)
disposal of subsidiaries	-	-	(49)	(264,949)	(264,998)
disposals, write-offs (-)	-	(1,071)	(1,537)	-	(2,608)
currency exchange differences	(806)	-	49	1,192	435
As of 31 December 2008	**9,950**	**8,940**	**30,572**	**-**	**49,462**
Accumulated depreciation					
As of 31 December 2006	**1,458**	**2,275**	**7,837**	**-**	**11,570**
acquisition of subsidiary	-	153	162	-	315
depreciation	144	1,143	2,836	-	4,123
disposals, write-offs (-)	-	(107)	(1,112)	-	(1,219)
As of 31 December 2007 (as re-presented (Note 5))	**1,602**	**3,464**	**9,723**	**-**	**14,789**
depreciation	353	1,296	4,069	-	5,718
disposals, write-offs (-)	-	(394)	(1,530)	-	(1,924)
currency exchange differences	(49)	-	-	-	(49)
As of 31 December 2008	**1,906**	**4,366**	**12,262**	**-**	**18,534**
Carrying amount					
As of 31 December 2007 (as re-presented (Note 5))	**9,062**	**5,276**	**12,801**	**326,645**	**353,784**
As of 31 December 2008	**8,044**	**4,574**	**18,310**	**-**	**30,928**

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

As of 31 December 2007 construction in progress in the amount of LTL'000 326,645 represents building under construction located in Moscow, Russia. Construction in progress is stated at fair value. Revaluation of construction in progress is made with a sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date. In 2008 the subsidiary which owned this property was sold (note 12).

The Bank	**Buildings and other real estate**	**Vehicles**	**Office equipment**	**Total**
Historical cost				
As of 31 December 2006	**8,068**	**5,587**	**15,384**	**29,039**
additions	-	1,443	7,782	9,225
disposals, write-offs (-)	-	(159)	(2,197)	(2,356)
As of 31 December 2007	**8,068**	**6,871**	**20,969**	**35,908**
additions	-	866	9,399	10,265
disposals, write-offs (-)	-	(962)	(1,185)	(2,147)
As of 31 December 2008	**8,068**	**6,775**	**29,183**	**44,026**
Accumulated depreciation				
As of 31 December 2006	**1,458**	**1,275**	**6,774**	**9,507**
depreciation	144	1,032	2,572	3,748
disposals, write-offs (-)	-	(77)	(694)	(771)
As of 31 December 2007	**1,602**	**2,230**	**8,652**	**12,484**
depreciation	141	1,086	3,852	5,079
disposals, write-offs (-)	-	(285)	(1,186)	(1,471)
As of 31 December 2008	**1,743**	**3,031**	**11,318**	**16,092**
Carrying amount				
As of 31 December 2007	**6,466**	**4,641**	**12,317**	**23,424**
As of 31 December 2008	**6,325**	**3,744**	**17,865**	**27,934**

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

The carrying amount of the vehicles acquired by the Bank under finance lease agreements as of 31 December 2008 was LTL'000 0 (2007: LTL'000 94).

Investment property

The Group		**The Bank**
18,813	**Investment property fair value as of 31 December 2006**	**11,483**
-	Investment property additions	-
-	Sales, write off (disposal) of investment property (-)	-
3,592	Gain arising on change in the fair value	2,247
1,233	Acquisition of subsidiary	-
23,638	**Investment property fair value as of 31 December 2007 (as re-presented (Note 5))**	**13,730**
2,388	Investment property additions	2,322
-	Sales, write off (disposal) of investment property (-)	-
-	Gain arising on change in the fair value	-
26,026	**Investment property fair value as of 31 December 2008**	**16,052**

NOTE 15 OTHER ASSETS

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Other assets		
34,313	40,931	Prepayments	31,813	19,717
24,623	24,757	Deferred expenses	15,748	18,693
2,372	4,062	Accounts receivable	2,372	4,062
1,972	-	Income tax paid in advance	1,849	-
917	29	Foreclosed assets	917	29
318	353	Transit accounts	104	48
9	5,337	Receivables on securities transactions	9	5,337
-	11,444	VAT receivable in Russia	-	-
5,769	7,492	Other receivables	5,100	5,962
70,293	**94,405**	**Total other assets**	**57,912**	**53,848**
(412)	(3,036)	Provisions for impairment loss of other assets (note 33 (f))	(412)	(809)
69,881	**91,369**	**Total other assets, net of provisions**	**57,500**	**53,039**

NOTE 16 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Due to banks and other financial institutions		
28,191	3,033	Due to correspondent banks	28,191	3,033
225,352	403,912	Deposits	533,699	413,312
65,954	*58,442*	*including collateralized deposits for the loans granted*	*65,954*	*58,442*
		Loans:		
23,456	*201,196*	*Falling due within one year*	*8,273*	*170,980*
48,100	*108,013*	*Falling due after one year*	*48,100*	*108,013*
54,138	-	Repurchase agreements	54,138	-
379,237	**716,154**	**Total**	**672,401**	**695,338**
1,398	2,814	Accrued interest	1,382	2,739
380,635	**718,968**	**Total due to banks and other financial institutions**	**673,783**	**698,077**

As of 31 December 2008 investment securities held to maturity with carrying amount LTL'000 70,469 were pledged under repurchase agreements (note 10).

NOTE 17 DUE TO CUSTOMERS

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Due to customers		
476,892	914,897	Current and demand deposits	476,892	914,897
2,439,006	1,819,098	Term deposits, letters of credit	2,439,006	1,819,098
2,915,898	**2,733,995**	**Total due to customers**	**2,915,898**	**2,733,995**

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Current and demand deposits		
323,717	768,916	Companies	323,717	768,916
153,175	145,981	Individuals	153,175	145,981
476,892	**914,897**		**476,892**	**914,897**
		Term deposits, letters of credit		
786,171	469,567	Companies	786,171	469,567
1,621,358	1,329,397	Individuals	1,621,358	1,329,397
2,407,529	**1,798,964**		**2,407,529**	**1,798,964**
31,477	20,134	Accrued interest	31,477	20,134
2,915,898	**2,733,995**	**Total due to customers**	**2,915,898**	**2,733,995**

NOTE 18 DEBT SECURITIES IN ISSUE

As of 31 December 2008, the Bank had the following debt securities in issue:

The Group as of 31 December 2008:	**Currency**	**Annual interest rate**	**Maturity**	**Carrying value**
Fixed rate notes issue No. 1/2008	LTL	8.0%	2010	12,771
Fixed rate notes issue No. 2/2008	LTL	8.0%	2010	7,722
Fixed rate notes issue No. 3/2008	EUR	7.0%	2010	4,113
Fixed rate notes issue No. 4/2008	LTL	7.5%	2009	168
Fixed rate notes issue No. 5/2008	EUR	6.5%	2009	10
Total debt securities in issue				**24,784**

The Bank as of 31 December 2008:	**Currency**	**Annual interest rate**	**Maturity**	**Carrying value**
Fixed rate notes issue No. 1/2008	LTL	8.0%	2010	13,165
Fixed rate notes issue No. 2/2008	LTL	8.0%	2010	9,565
Fixed rate notes issue No. 3/2008	EUR	7.0%	2010	4,113
Fixed rate notes issue No. 4/2008	LTL	7.5%	2009	168
Fixed rate notes issue No. 5/2008	EUR	6.5%	2009	10
Total debt securities in issue				**27,021**

As of 31 December 2007, there was no debt securities issued.

NOTE 19 SUBORDINATED LOANS

As of 31 December 2008	Currency	Annual interest rate	Maturity	Accrued interest	Book value
Samsung U.K. Limited	USD	12mo USD Libor	2009	701	4,377
Samsung U.K. Limited	USD	12mo USD Libor	2010	628	4,304
Taberna Europe DCO II P.L.C.	EUR	8.45%	2017	1,313	94,539
Total subordinated loans				**2,642**	**103,220**

As of 31 December 2007	Currency	Annual interest rate	Maturity	Accrued interest	Book value
Samsung U.K. Limited	USD	12mo USD Libor	2009	520	4,056
Samsung U.K. Limited	USD	12mo USD Libor	2010	464	3,999
Taberna Europe DCO II P.L.C.	EUR	8.45%	2017	503	93,729
Total subordinated loans				**1,487**	**101,784**

Bank of Lithuania by order No. 121 dated 21 June 2004 and order No. 18 dated 3 February 2005 gave permission to include the subordinated loans received from Samsung U.K. Limited to the Bank’s Tier 2 capital.

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

AB Ukio Bankas (at his option) has a right to repay the loan by transferring to the lender respective amount of newly issued common shares of the borrower.

NOTE 20 OTHER LIABILITIES

The Group 2008	The Group 2007 as re-presented		The Bank 2008	The Bank 2007 as re-presented
		Other liabilities		
20,629	19,022	Technical provisions	-	-
11,060	9,998	Suspense accounts	11,060	9,984
6,605	22,071	Accounts payable	-	-
5,106	7,296	Payroll and social security payable and vacation reserve	4,800	6,996
4,680	5,937	Prepayments from customers for finance leases	-	-
3,144	5,669	Prepayments for spot transactions	3,144	5,669
2,029	979	Funds on closed accounts of the customers	2,029	979
1,397	1,628	Accrued expenses for utilities, security, communications, advertising, audit	1,397	1,628
1,309	2,475	Accrued income and deferred expenses	421	530
1,120	1,084	Accrued deposit insurance expenses	1,120	1,084
1,120	-	Accrued taxes (other than income tax)	1,120	-
381	10,741	Income tax payable	-	10,109
922	5,011	VAT payable	910	5,008
-	110,895	Loans received*	-	-
-	89	Finance lease payable	-	89
4,292	9,196	Other liabilities	2,601	6,277
63,794	**212,091**	**Total other liabilities**	**28,602**	**48,353**

*Loans received as of 31 December 2007 include loans payable by the Bank subsidiaries to UAB Domus Altera, UAB Energolinija and UAB Korelita, loans are denominated in RUB (Russian rubles) with fixed interest rate 5%. Loans were repaid in 2008.

NOTE 21 SHARE CAPITAL AND RESERVES

The authorized capital of the Bank as of 31 December 2008 and 2007 was LTL’000 196,708 and consisted of 196,708,000 ordinary shares with par value of LTL 1 each. All shares are fully paid.

On 10 August 2007 the Bank’s share capital was increased by LTL’000 20,000, issuing new ordinary shares in the amount of 20,000,000. A share premium on capital increase of LTL’000 42,000 was recognized. All shares were fully paid in cash.

At the shareholders meeting on 27 March 2008, dividends in respect of 2007 of LTL 0.02 per share amounting to total of LTL’000 3,934 were proposed (dividends paid as of 31 December 2008 amounted to LTL’000 3,897).

At the shareholders meeting on 22 March 2007, dividends in respect of 2006 of LTL 0.01 per share amounting to total of LTL'000 1,768 were proposed (dividends paid as of 31 December 2007 amounted to LTL'000 1,752).

Other reserves are formed from shareholder's additional contributions or deductions from the profit of the Bank. The purpose of Other reserves is to guarantee the financial stability of the Bank. Other reserves following the decision of the ordinary General Meeting of the Shareholders can be used to cover the losses and for the purpose discussed in Part 6 of Article 41 of Law on the Banks of the Republic of Lithuania. As of 31 December 2008 Other reserves amounted to LTL'000 50,000 (31 December 2007: LTL'000 2,000).

General reserve for losses of assets is formed from the Bank's profit for possible loss' coverage. General reserve for losses of assets amounted to LTL'000 49,116 as of 31 December 2008 (31 December 2007: LTL'000 21,543).

NOTE 22 INTEREST INCOME AND EXPENSE

The Group			The Bank	
2008	**2007 as re-presented (Note 5)**		**2008**	**2007**
		Interest income		
240,652	133,413	on loans and advances to customers	182,607	91,832
24,696	21,648	on investment securities held to maturity	24,432	21,635
9,128	44,577	on loans and advances to banks and other financial institutions	34,591	65,769
5,932	13,097	on trading debt securities	5,442	13,009
2,688	2,369	on balances with central bank	2,688	2,369
283,096	**215,104**	**Total interest income**	**249,760**	**194,614**

The Group			The Bank	
2008	**2007 as re-presented (Note 5)**		**2008**	**2007**
		Interest expense		
107,716	75,016	on liabilities due to customers	107,716	75,016
22,233	21,711	on liabilities due to banks and other financial institutions	23,783	20,168
8,170	910	on subordinated loans	8,170	910
1,078	-	on debt securities issued	1,143	-
139,197	**97,637**	**Total interest expense**	**140,812**	**96,094**

In 2008 the Group's/Bank's total interest income includes income accrued on impaired financial assets in the amount of LTL'000 18,058 and LTL'000 14,958 respectively (2007: LTL'000 14,756 and LTL'000 10,936 respectively).

NOTE 23 FEES AND COMMISSION INCOME AND EXPENSE

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Fees and commission income		
86,361	100,169	for money transfer operations	86,495	100,287
7,004	4,709	for credit services	7,195	5,168
6,462	5,384	for bank accounts‘ services	6,462	5,384
5,065	5,374	for payment card services	5,279	5,442
3,174	3,223	for collection of taxes	3,914	3,923
2,155	1,707	for EUR currency exchange	2,155	1,708
4,927	5,033	other	4,491	4,903
115,148	**125,599**	**Total fees and commission income**	**115,991**	**126,815**

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Fees and commission expenses		
10,622	16,070	for money transfer operations	10,088	15,579
3,631	2,466	for payment card services	3,075	2,456
3,233	2,825	other	3,211	2,737
17,486	**21,361**	**Total fees and commission expenses**	**16,374**	**20,772**

NOTE 24 NET TRADING INCOME

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Net gains from dealing in foreign currency		
18,141	45,189	realized profit	18,506	45,466
17,796	(3,608)	unrealized profit (loss)	17,775	(3,556)
35,937	**41,581**	**Total**	**36,281**	**41,910**
		Net losses from financial assets at fair value through profit or loss		
		From trading securities:		
(11,136)	(1,346)	realized loss	(10,096)	(1,256)
(17,027)	(1,421)	unrealized loss	(11,138)	(1,558)
		From derivatives:		
(24,756)	(9,898)	realized loss	(24,675)	(9,946)
6,671	(3,322)	unrealized profit (loss)	6,607	(3,319)
(46,248)	**(15,987)**	**Total**	**(39,302)**	**(16,079)**
		Net gains (losses) arising from investment securities		
(2,688)	2,615	realized profit (loss)	(2,737)	2,615
-	-	realized profit on disposal of subsidiaries	27,000	-
(2,688)	**2,615**	**Total**	**24,263**	**2,615**

NOTE 25 OTHER OPERATING INCOME

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Other operating income		
879	829	Rent income	834	561
335	108	Fines and penalties received	335	108
-	3,592	Changes in fair value of investment property	-	2,247
(38)	2	Gain (loss) on derecognition of fixed assets	(59)	-
1,334	747	Other income	1,188	705
2,510	**5,278**	**Total other operating income**	**2,298**	**3,621**

NOTE 26 OPERATING EXPENSES

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Operating expenses		
52,307	44,983	Salary and related expenses (note 27)	43,256	37,838
32,522	35,011	Marketing and charity expenses	25,300	28,906
16,776	12,017	Rent of premises and household expenses	15,433	11,282
13,137	12,120	Deposit insurance expenses	13,137	12,120
10,812	9,219	Taxes (other than income tax)	10,449	9,053
7,299	5,284	Depreciation and amortization (notes 13, 14)	6,530	4,839
4,280	3,715	Transport, post and communication service expenses	3,152	2,769
3,642	3,285	IT expenses	3,557	2,915
2,998	3,144	Training and business trip expenses	2,242	2,485
18,616	19,337	Other expenses	16,917	16,867
162,389	**148,115**	**Total operating expenses**	**139,973**	**129,074**

NOTE 27 SALARY AND RELATED EXPENSES

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Salary and related expenses		
33,510	26,261	Salaries	27,403	20,968
11,839	9,988	Social security	9,660	8,317
6,958	8,734	Bonuses and similar payments	6,193	8,553
52,307	**44,983**	**Total**	**43,256**	**37,838**

NOTE 28 INCOME TAX EXPENSE

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

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Income tax		
7,999	15,360	Current income tax	7,066	14,352
1	(17)	Prior year income tax corrections	1	(17)
(2,171)	252	Change in deferred tax (note 29)	(2,358)	(95)
5,829	**15,595**	**Total income tax**	**4,709**	**14,240**

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
38,910	**91,804**	**Profit before tax**	**62,092**	**96,964**
5,837	16,525	Tax calculated at a tax rate of 2008-15% (2007 – 18%)	9,314	17,454
2,162	(1,095)	Tax effect of income not subject to tax and expenses not deductable in determining taxable profit	(2,248)	(3,037)
1	(17)	Prior year income tax corrections	1	(17)
69	(202)	Increase (decrease) in deferred tax resulting from change in tax rate (2009- 20%; 2008 – 15%)	228	(141)
(2,240)	384	Changes in deferred taxes	(2,586)	(19)
5,829	**15,595**	**Income tax expense**	**4,709**	**14,240**
14.98%	16.99%	Effective tax rate	7.58%	14.69%

NOTE 29 DEFERRED INCOME TAX

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

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Deferred income tax liabilities		
-	35,265	Revaluation of fixed assets	-	-
2,554	1,868	Revaluation of investment property	1,042	763
-	1,864	Revaluation of financial assets	-	1,741
859	1,024	Other liabilities	1,185	661
3,413	**40,021**		**2,227**	**3,165**
		Deferred income tax assets		
(2,992)	-	Loss on revaluation of financial assets	(2,992)	-
(247)	(84)	Accrued expenses	(145)	(84)
(3,859)	-	Provisions	-	-
(7,098)	**(84)**		**(3,137)**	**(84)**
3,961	-	Valuation allowance	-	-
1,186	**39,937**	**Total liabilities, net**	**-**	**3,081**
910	**-**	**Total assets**	**910**	**-**

The movement for the year ended 31 December 2008 in the Group's and the Bank's net deferred tax (assets)/ liability position was as follows:

	The Group	The Bank
As of 1 January 2008	**39,937**	**3,081**
Charge to income for the year (note 28)	(2,171)	(2,358)
Revaluation of construction in progress and investments available-for-sale charged directly to equity, disposal of subsidiaries	(37,490)	(1,633)
As of 31 December 2008	**276**	**(910)**

NOTE 30 EARNINGS PER SHARE

The Group 2008	The Group 2007 as represented (Note 5)		The Bank 2008	The Bank 2007
		Basic earnings per share calculation		
		Profit attributable to equity holders of the Parent		
33,081	*76,209*	*from continuing operations*	*57,383*	*82,724*
14,932	*1,068*	*from discontinued operations*	-	-
48,013	77,277	Total profit attributable to equity holders of the Parent	57,383	82,724
196,708	184,598	Weighted average number of ordinary shares in issue (thousands units)	196,708	184,598
0.17	0.41	Basic earnings per share from continuing operations (in LTL)	0.29	0.45
0.08	0.01	Basic earnings per share from discontinued operations (in LTL)	-	-
0.24	**0.42**	**Basic earnings per share (in LTL)**	**0.29**	**0.45**

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Diluted earnings per share calculation		
48,013	77,277	Profit attributable to equity holders of the Parent	57,383	82,724
248	333	Interest expense on subordinated loans (net of tax)	248	333
48,261	77,610	Net profit used to determine diluted earnings per share	57,631	83,057
33,329	*76,542*	*from continuing operations*	*57,631*	*83,057*
14,932	*1,068*	*from discontinued operations*	-	-
196,708	184,598	Weighted average number of ordinary shares in issue (thousands units)	196,708	184,598
3,372	1,790	Adjustment for assumed conversion of subordinated loans (thousands units)	3,372	1,790
200,080	186,388		200,080	186,388
0.17	0.41	Diluted earnings per share from continuing operations (in LTL)	0.29	0.45
0.07	0.01	Diluted earnings per share from discontinued operations (in LTL)	-	-
0.24	**0.42**	**Diluted earnings per share (in LTL)**	**0.29**	**0.45**

NOTE 31 CASH AND CASH EQUIVALENTS

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007
		Cash and cash equivalents		
44,659	39,488	Cash and other valuables (note 6)	44,658	39,487
99,486	638,183	Demand deposits in other banks and financial institutions up to 3 months	99,098	636,896
16,936	6,243	Correspondent account with Bank of Lithuania (note 6)	16,936	6,243
-	3,436	Short-term realizable debt securities up to 3 months	-	3,436
161,081	**687,350**	**Cash and cash equivalents at the end of the period**	**160,692**	**686,062**

NOTE 32 THE PROCESSES OF RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

NOTE 33 CREDIT RISK MANAGEMENT

a) Introduction

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

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

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

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

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

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

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

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

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

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

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

Impairment losses not yet occurred
As adoption of IAS 39 allows calculating impairment losses and providing against assets in respect of which impairment has already occurred, the Group/Bank additionally forms reserves from its profit to cover the risk of receivables in respect of which a loss event has not yet occurred. For the coverage of risk not yet incurred and not reflected in the balance sheet and income statements, reserves from the undistributed profit are formed ("General reserve for losses of assets"). These reserves as of 31 December 2008 amounted to LTL'000 49,116 (31 December 2007: LTL'000 21,543).

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

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

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

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

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

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

The Group 2008	The Group 2007 as re-presented		The Bank 2008	The Bank 2007 as re-presented
		Assets		
144,216	162,894	Funds with central banks	144,216	162,894
294,340	819,913	Loans and advances to banks and other financial institutions	928,873	1,224,355
45,250	233,227	Financial assets at fair value through profit or loss	26,511	213,546
2,879,888	2,145,576	Loans and finance lease receivable:	2,512,504	1,818,467
1,643,004	*1,261,964*	*loans to and finance lease receivable from SMEs*	*1,540,030*	*1,188,284*
733,727	*440,429*	*loans to and finance lease receivable from other enterprises*	*720,216*	*395,335*
503,157	*443,183*	*loans to and finance lease receivable from individuals*	*252,258*	*234,848*
425,884	428,622	Investment securities:	422,493	424,975
50,676	*33,777*	*available-for-sale*	*50,482*	*31,281*
375,208	*394,845*	*held to maturity*	*372,011*	*393,694*
69,861	91,340	Other assets	57,480	53,010
3,859,439	**3,881,572**	**Total**	**4,092,077**	**3,897,247**
		Contingent liabilities and commitments		
33,072	31,463	Guarantees and warranties	33,072	31,463
981	4,722	Commitments to issue letters of credit	981	4,722
169,748	263,453	Irrevocable lending commitments	96,847	249,729
203,801	**299,638**	**Total**	**130,900**	**285,914**
4,063,240	**4,181,210**	**Total credit risk exposure**	**4,222,977**	**4,183,161**

c) Risk concentrations of the maximum exposure to credit risk

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

The maximum Group's credit exposure to any client or counterparty as of 31 December 2008 was LTL 116 million or 22% of the capital base (31 December 2007: LTL 116 million, or 22% of the capital base) before taking into account of collateral or other credit enhancements.

As of 31 December 2008 and during the year the Group and the Bank complied with the maximum loan to one customer requirement established by Bank of Lithuania, according to which the total amount of loans granted to one customer and the customer's related parties may not exceed 25% of the Group's and the Bank's capital (see note 38).

As of 31 December 2008 and during the year the Group and the Bank complied with the large loans requirement established by Bank of Lithuania, according to which the total amounts of loans granted to one customers and the customer's related parties that exceed 10% of the Group's and the Bank's capital may not exceed 800% of the Group's and the Bank's capital (see note 38).

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

The Group as of 31 December 2008:

	Telecom-munication services	Financials	Industrials	Informa-tion Techno-logy	Materials	Energy	Consumer Staples	Consumer Discre-tionary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other financial institutions	-	294,340	-	-	-	-	-	-	-	-	-	-	294,340
Financial assets at fair value through profit or loss	-	22,046	157	-	93	-	546	651	-	-	5,986	15,771	45,250
Loans and finance lease receivable	1,109	1,231,965	283,983	343	149,816	47,672	158,190	526,913	3,954	11,895	18,970	445,078	2,879,888
Investment securities:													
available-for-sale	*-*	*50,653*	*-*	*-*	*10*	*13*	*-*	*-*	*-*	*-*	*-*	*-*	*50,676*
held-to-maturity	*33,134*	*196,986*	*9,619*	*2,560*	*19,403*	*14,421*	*5,375*	*12,050*	*1,706*	*16,180*	*63,774*	*-*	*375,208*
Other assets	-	-	-	-	-	-	-	-	-	-	-	69,861	69,861
Total	**34,243**	**1,795,990**	**293,759**	**2,903**	**169,322**	**62,106**	**164,111**	**539,614**	**5,660**	**28,075**	**232,946**	**530,710**	**3,859,439**

As of 31 December 2008, the Group's loans to real estate and construction sectors amounted to LTL'000 1,170,260. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector "Financials" and "Consumer Discretionary", respectively in the above presented table.

The Group as of 31 December 2007 (as re-presented (Note 5)):

	Telecom-munication services	Financials	Industrials	Informa-tion Techno-logy	Materials	Energy	Consumer Staples	Consumer Discretio-nary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	162,894	-	162,894
Loans and advances to banks and other financial institutions	-	819,913	-	-	-	-	-	-	-	-	-	-	819,913
Financial assets at fair value through profit or loss	5,284	83,256	742	-	1,158	1,922	6,701	9,081	-	2,997	106,027	16,059	233,227
Loans and finance lease receivable	40	480,357	352,316	1,314	10,638	57,364	131,615	560,622	122,926	13,917	16,350	398,117	2,145,576
Investment securities:													
available-for-sale	*403*	*31,486*	*175*	*-*	*421*	*164*	*-*	*-*	*-*	*1,128*	*-*	*-*	*33,777*
held-to-maturity	*37,349*	*246,689*	*10,287*	*2,491*	*19,178*	*8,866*	*22,941*	*17,367*	*-*	*14,058*	*15,619*	*-*	*394,845*
Other assets	-	-	-	-	-	-	-	-	-	-	-	91,340	91,340
Total	**43,076**	**1,661,701**	**363,520**	**3,805**	**31,395**	**68,316**	**161,257**	**587,070**	**122,926**	**32,100**	**300,890**	**505,516**	**3,881,572**

As of 31 December 2007 the Group‘s loans to real estate and construction sectors amounted to LTL‘000 598,630. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector „Financials“ and „Consumer Discretionary“ respectively in the above presented table.

The Bank as of 31 December 2008:

	Telecom-munication services	Financials	Industrials	Informa-tion Technology	Materials	Energy	Consumer Staples	Consumer Discretio-nary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other financial institutions	-	928,873	-	-	-	-	-	-	-	-	-	-	928,873
Financial assets at fair value through profit or loss	-	10,647	-	-	93	-	-	-	-	-	-	15,771	26,511
Loans and finance lease receivable	-	1,216,459	246,434	-	142,869	47,107	146,760	484,113	3,913	11,699	18,970	194,180	2,512,504
Investment securities:													
available-for-sale	-	*50,482*	-	-	-	-	-	-	-	-	-	-	*50,482*
held-to-maturity	*33,134*	*194,178*	*9,619*	*2,560*	*19,403*	*14,421*	*5,325*	*11,998*	*1,706*	*16,180*	*63,487*	-	*372,011*
Other assets	-	-	-	-	-	-	-	-	-	-	-	57,480	57,480
Total	**33,134**	**2,400,639**	**256,053**	**2,560**	**162,365**	**61,528**	**152,085**	**496,111**	**5,619**	**27,879**	**226,673**	**267,431**	**4,092,077**

As of 31 December 2008, the Bank‘s loans to real estate and construction sectors amounted to LTL‘000 1,146,369, respectively. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector „Financials“ and „Consumer Discretionary“ respectively in the above presented table.

The Bank as of 31 December 2007 (as re-presented (Note 5)):

	Telecom-munication services	Financials	Industrials	Informa-tion Technology	Materials	Energy	Consumer Staples	Consumer Discretio-nary	Health Care	Utilities	Govern-ment	Other	Total
Assets													
Cash and balances with central bank	-	-	-	-	-	-	-	-	-	-	162,894	-	162,894
Loans and advances to banks and other financial institutions	-	1,224,355	-	-	-	-	-	-	-	-	-	-	1,224,355
Financial assets at fair value through profit or loss	5,284	71,086	513	-	1,091	1,889	6,119	8,417	-	2,997	100,091	16,059	213,546
Loans and finance lease receivable	-	442,815	330,901	-	6,719	57,364	120,990	517,325	122,525	13,696	16,350	189,782	1,818,467
Investment securities:													
available-for-sale	*403*	*28,990*	*175*	*-*	*421*	*164*	*-*	*-*	*-*	*1,128*	*-*	*-*	*31,281*
held-to-maturity	*37,349*	*245,842*	*10,287*	*2,491*	*19,178*	*8,866*	*22,930*	*17,367*	*-*	*14,058*	*15,326*	*-*	*393,694*
Other assets	-	-	-	-	-	-	-	-	-	-	-	53,010	53,010
Total	**43,036**	**2,013,088**	**341,876**	**2,491**	**27,409**	**68,283**	**150,039**	**543,109**	**122,525**	**31,879**	**294,661**	**258,851**	**3,897,247**

As of 31 December 2007 the Bank‘s loans to real estate and construction sectors amounted to LTL‘000 549,966. In accordance with Global Industry Classification Standard (GICS) loans to real estate and construction sector are included in to industry sector „Financials" and „Consumer Discretionary" respectively in the above presented table.

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

As of 31 December 2008:

	The Group			The Bank		
	Higher rated countries	**Lower rated countries**	**Total**	**Higher rated countries**	**Lower rated countries**	**Total**
Assets						
Funds with central banks	144,216	-	**144,216**	144,216	-	**144,216**
Loans and advances to banks and other financial institutions	279,305	15,035	**294,340**	860,869	68,004	**928,873**
Financial assets at fair value through profit or loss	45,157	93	**45,250**	26,418	93	**26,511**
Loans and finance lease receivable	2,691,286	188,602	**2,879,888**	2,377,673	134,831	**2,512,504**
Investment securities:	274,854	151,030	**425,884**	271,750	150,743	**422,493**
available-for-sale	*47,503*	*3,173*	***50,676***	*47,309*	*3,173*	***50,482***
held-to-maturity	*227,351*	*147,857*	***375,208***	*224,441*	*147,570*	***372,011***
Other assets	68,074	1,787	**69,861**	55,886	1,594	**57,480**
Total	**3,502,892**	**356,547**	**3,859,439**	**3,736,812**	**355,265**	**4,092,077**

As of 31 December 2007 (as re-presented (Note 5)):

	The Group			The Bank		
	Higher rated countries	**Lower rated countries**	**Total**	**Higher rated countries**	**Lower rated countries**	**Total**
Assets						
Funds with central banks	162,894	-	**162,894**	162,894	-	**162,894**
Loans and advances to banks and other financial institutions	764,598	55,315	**819,913**	1,133,978	90,377	**1,224,355**
Financial assets at fair value through profit or loss	229,497	3,730	**233,227**	209,849	3,697	**213,546**
Loans and finance lease receivable	2,035,631	109,945	**2,145,576**	1,740,686	77,781	**1,818,467**
Investment securities:	295,764	132,858	**428,622**	292,414	132,561	**424,975**
available-for-sale	*27,748*	*6,029*	***33,777***	*25,264*	*6,017*	***31,281***
held-to-maturity	*268,016*	*126,829*	***394,845***	*267,150*	*126,544*	***393,694***
Other assets	56,747	34,593	**91,340**	48,029	4,981	**53,010**
Total	**3,545,131**	**336,441**	**3,881,572**	**3,587,850**	**309,397**	**3,897,247**

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

As of 31 December 2008, largest single country concentrations of Group's financial assets without taking into account any collateral held or other credit enhancements were in Lithuania – 74.1%, USA – 7.2% (as of 31 December 2007: Lithuania - 61.5%, Germany – 5.6%, United Kingdom – 4.8%).

d) Credit quality of financial assets

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

For the counterparties that have external credit ratings, internal ratings are assigned based on the following principles: Grade 1 is assigned to counterparties that have a long-term credit rating of at least A-/A3; Grade 2 is assigned to counterparties that have a credit rating ranging from BBB+/Baa1 to BBB-/Baa3; Grade 3 is assigned to counterparties that have a credit rating ranging from BB+/Ba1 to B-/B3. For the banks or foreign bank branches registered in Lithuania, internal rating higher by one grade to that which would result from the before mentioned principle, is assigned.

As of 31 December 2008 the Group's financial assets by internal credit ratings were as follows.

The Group	**Neither past due nor individually impaired**					**Past due or individually impaired**	
	Grade 1	**Grade 2**	**Grade 3**	**Grade 4**	**Grade 5**		**Total**
Funds with central banks	144,216	-	-	-	-	-	144,216
Loans and advances to banks and other financial institutions	65,207	103,200	124,660	1,252	-	21	294,340
Financial assets at fair value through profit or loss	5,986	38,480	157	627	-	-	45,250
Loans and finance lease receivable:	292,798	520,359	1,274,294	385,067	4,710	402,660	2,879,888
loans to SMEs	*15,225*	*266,911*	*721,234*	*378,907*	*4,117*	*256,610*	*1,643,004*
loans to other enterprises	*17,174*	*93,868*	*548,977*	*4,601*	*0*	*69,107*	*733,727*
loans to individuals	*260,399*	*159,580*	*4,083*	*1,559*	*593*	*76,943*	*503,157*
Investment securities:	202,041	94,153	129,690	-	-	-	425,884
available-for-sale	*27,488*	*8,515*	*14,673*	-	-	-	*50,676*
held-to-maturity	*174,553*	*85,638*	*115,017*	-	-	-	*375,208*
Other assets	2,373	34,356	33,053	-	-	79	69,861
Total	**712,621**	**790,548**	**1,561,854**	**386,946**	**4,710**	**402,760**	**3,859,439**

As of 31 December 2007 (as re-presented (Note 5)) the Group's financial assets by internal credit ratings were as follows.

The Group	Neither past due nor individually impaired					Past due or individually impaired	
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		Total
Funds with central banks	162,894	-	-	-	-	-	162,894
Loans and advances to banks and other financial institutions	567,880	168,018	84,015	-	-	-	819,913
Financial assets at fair value through profit or loss	135,375	95,313	2,539	-	-	-	233,227
Loans and finance lease receivable:	356,413	859,409	637,697	34,831	103	257,123	2,145,576
loans to SMEs	*73,730*	*582,479*	*500,277*	*32,867*	*16*	*72,595*	*1,261,964*
loans to other enterprises	*65,608*	*99,882*	*135,450*	*1,852*	*-*	*137,637*	*440,429*
loans to individuals	*217,075*	*177,048*	*1,970*	*112*	*87*	*46,891*	*443,183*
Investment securities:	206,367	93,490	128,765	-	-	-	428,622
available-for-sale	*1*	*13,522*	*20,254*	*-*	*-*	*-*	*33,777*
held-to-maturity	*206,366*	*79,968*	*108,511*	*-*	*-*	*-*	*394,845*
Other assets	4,063	68,016	18,979	-	-	282	91,340
Total	**1,432,992**	**1,284,246**	**871,995**	**34,831**	**103**	**257,405**	**3,881,572**

As of 31 December 2008 the Bank's financial assets by internal credit ratings were as follows.

The Bank	Neither past due nor individually impaired					Past due or individually impaired	
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5		Total
Funds with central banks	144,216	-	-	-	-	-	144,216
Loans and advances to banks and other financial institutions	64,810	381,483	427,996	1,252	-	53,332	928,873
Financial assets at fair value through profit or loss	-	25,884	-	627	-	-	26,511
Loans and finance lease receivable:	71,142	485,186	1,253,538	383,343	4,710	314,585	2,512,504
loans to SMEs	*14,383*	*237,999*	*703,834*	*377,183*	*4,117*	*202,514*	*1,540,030*
loans to other enterprises	*16,369*	*88,068*	*545,621*	*4,601*	*-*	*65,557*	*720,216*
loans to individuals	*40,390*	*159,119*	*4,083*	*1,559*	*593*	*46,514*	*252,258*
Investment securities:	201,060	91,969	129,464	-	-	-	422,493
available-for-sale	*27,488*	*8,334*	*14,660*	*-*	*-*	*-*	*50,482*
held-to-maturity	*173,572*	*83,635*	*114,804*	*-*	*-*	*-*	*372,011*
Other assets	2,373	21,975	33,053	-	-	79	57,480
Total	**483,601**	**1,006,497**	**1,844,051**	**385,222**	**4,710**	**367,996**	**4,092,077**

As of 31 December 2007 (as re-presented (Note 5)) the Bank's financial assets by internal credit ratings were as follows:

The Bank	**Neither past due nor individually impaired**					**Past due or individually impaired**	
	Grade 1	**Grade 2**	**Grade 3**	**Grade 4**	**Grade 5**		**Total**
Funds with central banks	162,894	-	-	-	-	-	162,894
Loans and advances to banks and other financial institutions	567,192	408,450	248,713	-	-	-	1,224,355
Financial assets at fair value through profit or loss	128,726	82,510	2,310	-	-	-	213,546
Loans and finance lease receivable:	180,791	821,417	583,246	29,990	87	202,936	1,818,467
loans to SMEs	*71,803*	*556,247*	*476,699*	*29,878*	-	*53,657*	*1,188,284*
loans to other enterprises	*65,608*	*88,122*	*104,577*	-	-	*137,028*	*395,335*
loans to individuals	*43,380*	*177,048*	*1,970*	*112*	*87*	*12,251*	*234,848*
Investment securities:	205,723	93,182	126,070	-	-	-	424,975
available-for-sale	*1*	*13,510*	*17,770*	-	-	-	*31,281*
held-to-maturity	*205,722*	*79,672*	*108,300*	-	-	-	*393,694*
Other assets	4,063	29,827	18,979	-	-	141	53,010
Total	**1,249,389**	**1,435,386**	**979,318**	**29,990**	**87**	**203,077**	**3,897,247**

e) Aging analysis of financial assets

As of 31 December 2008 the Group's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						
		<= 30 days	**31-60 days**	**61 days - 1 year**	**Over 1 year**	**Total**	**not past due**	**<=30 days**	**31-60 days**	**61 days - 1 year**	**Over 1 year**	**Total**	**TOTAL**
Funds with central banks	144,216	-	-	-	-	-	-	-	-	-	-	-	144,216
Loans and advances to banks and other financial institutions	294,319	-	-	-	-	-	12	9	-	-	-	21	294,340
Financial assets at fair value through profit or loss	45,250	-	-	-	-	-	-	-	-	-	-	-	45,250
Loans and finance lease receivable	2,477,228	86,229	23,877	31,482	634	142,222	167,200	15,190	30,464	44,103	3,481	260,438	2,879,888
loans to SMEs	*1,386,394*	*50,348*	*16,411*	*20,911*	*634*	*88,304*	*105,931*	*12,225*	*14,236*	*33,451*	*2,463*	*168,306*	*1,643,004*
loans to other enterprises	*664,620*	*12,434*	*3,026*	*250*	-	*15,710*	*51,672*	*3*	*513*	*1,209*	-	*53,397*	*733,727*
loans to individuals	*426,214*	*23,447*	*4,440*	*10,321*	-	*38,208*	*9,597*	*2,962*	*15,715*	*9,443*	*1,018*	*38,735*	*503,157*
Investment securities:	425,884	-	-	-	-	-	-	-	-	-	-	-	425,884
available-for-sale	*50,676*	-	-	-	-	-	-	-	-	-	-	-	*50,676*
held-to-maturity	*375,208*	-	-	-	-	-	-	-	-	-	-	-	*375,208*
Other assets	69,782	77	-	-	-	77	2	-	-	-	-	2	69,861
Total	**3,456,679**	**86,306**	**23,877**	**31,482**	**634**	**142,299**	**167,214**	**15,199**	**30,464**	**44,103**	**3,481**	**260,461**	**3,859,439**

As of 31 December 2007 (as re-presented (Note 5)) the Group's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						TOTAL
		<= 30 days	31-60 days	61 days - 1 year	More than 1 year	Total	Not past due	<=30 days	31-60 days	61 days - 1 year	More than 1 year	Total	
Funds with central banks	162,894	-	-	-	-	-	-	-	-	-	-	-	162,894
Loans and advances to banks and other financial institutions	819,913	-	-	-	-	-	-	-	-	-	-	-	819,913
Financial assets at fair value through profit or loss	233,227	-	-	-	-	-	-	-	-	-	-	-	233,227
Loans and finance lease receivable	1,888,453	81,795	14,478	8,928	292	105,493	134,732	638	7,660	7,472	1,128	151,630	2,145,576
loans to SMEs	*1,189,369*	*33,548*	*10,983*	*5,795*	*-*	*50,326*	*19,811*	*564*	*128*	*1,656*	*110*	*22,269*	*1,261,964*
loans to other enterprises	*302,792*	*19,716*	*1,646*	*2,293*	*-*	*23,655*	*113,982*	*-*	*-*	*-*	*-*	*113,982*	*440,429*
loans to individuals	*396,292*	*28,531*	*1,849*	*840*	*292*	*31,512*	*939*	*74*	*7,532*	*5,816*	*1,018*	*15,379*	*443,183*
Investment securities:	428,622	-	-	-	-	-	-	-	-	-	-	-	428,622
available-for-sale	*33,777*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*33,777*
held-to-maturity	*394,845*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*394,845*
Other assets	91,058	140	-	-	-	140	142	-	-	-	-	142	91,340
Total	**3,624,167**	**81,935**	**14,478**	**8,928**	**292**	**105,633**	**134,874**	**638**	**7,660**	**7,472**	**1,128**	**151,772**	**3,881,572**

As of 31 December 2008 the Bank's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						
		<= 30 days	31-60 days	61 days - 1 year	Over 1 year	Total	Not past due	<=30 days	31-60 days	61 days - 1 year	Over 1 year	Total	TOTAL
Funds with central banks	144,216	-	-	-	-	-	-	-	-	-	-	-	144,216
Loans and advances to banks and other financial institutions	875,541	-	-	-	-	-	53,323	9	-	-	-	53,332	928,873
Financial assets at fair value through profit or loss	26,511	-	-	-	-	-	-	-	-	-	-	-	26,511
Loans and finance lease receivable	2,197,919	53,133	18,283	25,133	634	97,183	167,200	6,096	15,356	25,269	3,481	217,402	2,512,504
loans to SMEs	*1,337,516*	*30,788*	*11,964*	*14,562*	*634*	*57,948*	*105,930*	*4,781*	*8,576*	*22,816*	*2,463*	*144,566*	*1,540,030*
loans to other enterprises	*654,659*	*11,499*	*2,136*	*250*	-	*13,885*	*51,672*	-	-	-	-	*51,672*	*720,216*
loans to individuals	*205,744*	*10,846*	*4,183*	*10,321*		*25,350*	*9,598*	*1,315*	*6,780*	*2,453*	*1,018*	*21,164*	*252,258*
Investment securities:	422,493	-	-	-	-	-	-	-	-	-	-	-	422,493
available-for-sale	*50,482*	-	-	-	-	-	-	-	-	-	-	-	*50,482*
held-to-maturity	*372,011*	-	-	-	-	-	-	-	-	-	-	-	*372,011*
Other assets	57,401	77	-	-	-	77	2	-	-	-	-	2	57,480
Total	**3,724,081**	**53,210**	**18,283**	**25,133**	**634**	**97,260**	**220,525**	**6,105**	**15,356**	**25,269**	**3,481**	**270,736**	**4,092,077**

As of 31 December 2007 (as re-presented (Note 5)) the Bank's financial assets by aging intervals were:

	Neither past due nor individually impaired	Past due but not individually impaired					Individually impaired						TOTAL
		<= 30 days	31-60 days	61 days - 1 year	More than 1 year	Total	Not past due	<=30 days	31-60 days	61 days - 1 year	More than 1 year	Total	
Funds with central banks	162,894	-	-	-	-	-	-	-	-	-	-	-	162,894
Loans and advances to banks and other financial institutions	1,224,355	-	-	-	-	-	-	-	-	-	-	-	1,224,355
Financial assets at fair value through profit or loss	213,546	-	-	-	-	-	-	-	-	-	-	-	213,546
Loans and finance lease receivable	1,615,531	41,181	13,714	8,251	292	63,438	134,732	638	916	2,084	1,128	139,498	1,818,467
loans to SMEs	*1,134,627*	*15,319*	*10,469*	*5,695*	-	*31,483*	*19,811*	*564*	*42*	*1,647*	*110*	*22,174*	*1,188,284*
loans to other enterprises	*258,307*	*19,188*	*1,565*	*2,293*	-	*23,046*	*113,982*	-	-	-	-	*113,982*	*395,335*
loans to individuals	*222,597*	*6,674*	*1,680*	*263*	*292*	*8,909*	*939*	*74*	*874*	*437*	*1,018*	*3,342*	*234,848*
Investment securities:	424,975	-	-	-	-	-	-	-	-	-	-	-	424,975
available-for-sale	*31,281*	-	-	-	-	-	-	-	-	-	-	-	*31,281*
held-to-maturity	*393,694*	-	-	-	-	-	-	-	-	-	-	-	*393,694*
Other assets	52,869	140	-	-	-	140	1	-	-	-	-	1	53,010
Total	**3,694,170**	**41,321**	**13,714**	**8,251**	**292**	**63,578**	**134,733**	**638**	**916**	**2,084**	**1,128**	**139,499**	**3,897,247**

f) Impairment of financial assets

As of 31 December 2008, amounts of provisions for the impairment of the assets per class of financial assets were as follows:

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	144,216	-	144,216	144,216	-	144,216
Loans and advances to banks and other financial institutions	294,340	-	294,340	934,712	(5,839)	928,873
Financial assets at fair value through profit or loss	45,250	-	45,250	26,511	-	26,511
Loans and finance lease receivable:	2,980,520	(100,632)	2,879,888	2,593,844	(81,340)	2,512,504
loans to SMEs	*1,707,416*	*(64,412)*	*1,643,004*	*1,597,899*	*(57,869)*	*1,540,030*
loans to other enterprises	*748,242*	*(14,515)*	*733,727*	*733,879*	*(13,663)*	*720,216*
loans to individuals	*524,862*	*(21,705)*	*503,157*	*262,066*	*(9,808)*	*252,258*
Investment securities:	425,884	-	425,884	422,493	-	422,493
available-for-sale	*50,676*	-	*50,676*	*50,482*	-	*50,482*
held-to-maturity	*375,208*	-	*375,208*	*372,011*	-	*372,011*
Other assets	70,273	(412)	69,861	57,892	(412)	57,480
Total	**3,960,483**	**(101,044)**	**3,859,439**	**4,179,668**	**(87,591)**	**4,092,077**

As of 31 December 2007 (as re-presented (Note 5)), amounts of provisions for the impairment of the assets per class of financial assets were as follows:

	The Group			The Bank		
	Value gross of provisions	Provisions for the impairment	Value net of provisions	Value gross of provisions	Provisions for the impairment	Value net of provisions
Funds with central banks	162,894	-	162,894	162,894	-	162,894
Loans and advances to banks and other financial institutions	819,913	-	819,913	1,224,355	-	1,224,355
Financial assets at fair value through profit or loss	233,227	-	233,227	213,546	-	213,546
Loans and finance lease receivable	2,211,115	(65,539)	2,145,576	1,875,267	(56,800)	1,818,467
loans to SMEs	*1,277,492*	*(15,528)*	*1,261,964*	*1,203,752*	*(15,468)*	*1,188,284*
loans to other enterprises	*480,149*	*(39,720)*	*440,429*	*435,055*	*(39,720)*	*395,335*
loans to individuals	*453,474*	*(10,291)*	*443,183*	*236,460*	*(1,612)*	*234,848*
Investment securities:	428,622	-	428,622	424,975	-	424,975
available-for-sale	*33,777*	-	*33,777*	*31,281*	-	*31,281*
held-to-maturity	*394,845*	-	*394,845*	*393,694*	-	*393,694*
Other assets	94,376	(3,036)	91,340	53,819	(809)	53,010
Total	**3,950,147**	**(68,575)**	**3,881,572**	**3,954,856**	**(57,609)**	**3,897,247**

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

The Group	Loans and advances to banks and other financial institutions	Loans and finance lease receivable: Loans to SMEs	Loans to other enterprises	Loans to individuals	Total	Other assets	Total
As of 31 December 2006	**-**	**11,802**	**37,586**	**6,335**	**55,723**	**4,013**	**59,736**
Reversal of provisions	-	(25,296)	(37,862)	(3,023)	(66,181)	(1,612)	(67,793)
Provisions written-off	-	(1)	(8,689)	(3,141)	(11,831)	(58)	(11,889)
Currency exchange rate effect	-	(119)	(1,345)	(87)	(1,551)	(53)	(1,604)
Provision charged	-	29,142	50,030	10,207	89,379	831	90,210
Change in provisions attributable to discontinued operations	-	-	-	-	-	(85)	(85)
As of 31 December 2007	**-**	**15,528**	**39,720**	**10,291**	**65,539**	**3,036**	**68,575**
Reversal of provisions	-	(43,556)	(41,768)	(4,419)	(89,743)	(682)	(90,425)
Provisions written-off	-	(45)	-	(4,974)	(5,019)	(112)	(5,131)
Currency exchange rate effect	-	(2,456)	(893)	(407)	(3,756)	(23)	(3,779)
Provision charged	-	94,941	17,456	21,214	133,611	420	134,031
Change in provisions attributable to discontinued operations	-	-	-	-	-	(2,227)	(2,227)
As of 31 December 2008	**-**	**64,412**	**14,515**	**21,705**	**100,632**	**412**	**101,044**

The Bank	Loans and advances to banks and other financial institutions	Loans and finance lease receivable: Loans to SMEs	Loans to other enterprises	Loans to individuals	Total	Other assets	Total
As of 31 December 2006	**-**	**11,797**	**37,586**	**881**	**50,264**	**1,701**	**51,965**
Reversal of provisions	-	(25,296)	(37,862)	(3,023)	(66,181)	(1,612)	(67,793)
Provisions written off	-	-	(8,689)	-	(8,689)	(58)	(8,747)
Currency exchange rate effect	-	(115)	(1,345)	(6)	(1,466)	(53)	(1,519)
Provision charged	-	29,082	50,030	3,760	82,872	831	83,703
As of 31 December 2007	**-**	**15,468**	**39,720**	**1,612**	**56,800**	**809**	**57,609**
Reversal of provisions	-	(43,556)	(41,768)	(4,419)	(89,743)	(682)	(90,425)
Provisions written off	-	(1)	-	(14)	(15)	(112)	(127)
Currency exchange rate effect	-	(667)	(545)	4	(1,208)	(23)	(1,231)
Provision charged	5,839	86,625	16,256	12,625	115,506	420	121,765
As of 31 December 2008	**5,839**	**57,869**	**13,663**	**9,808**	**81,340**	**412**	**87,591**

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

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Provisions for off-balance sheet items:		
-	3,883	Balance as of 1 January	-	3,883
(5,483)	(4,881)	Reversal of provisions	(5,483)	(4,881)
-	-	Provisions written-off	-	-
533	(11)	Currency exchange effect	533	(11)
4,950	1,009	Provisions charged	4,950	1,009
-	**-**	**Balance as of 31 December**	**-**	**-**

Impairment charge for credit losses reconciles to the income statement as follows:

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
134,031	90,210	Provisions charged for balance sheet items	121,765	83,703
(90,425)	(67,793)	Provisions reversed for balance sheet items	(90,425)	(67,793)
4,950	1,009	Provisions charged for off-balance sheet items	4,950	1,009
(5,483)	(4,881)	Provisions reversed for off-balance sheet items	(5,483)	(4,881)
43,073	**18,545**	**Provisions charged to profit or loss**	**30,807**	**12,038**

g) Collateral and other credit enhancements

The Group as of 31 December 2008:

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	144,216	-	144,216	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other financial institutions	294,319	173,764	120,555	-	-	-	21	-	21	294,340	173,764	120,576
Financial assets at fair value through profit or loss	45,250	-	45,250	-	-	-	-	-	-	45,250	-	45,250
Loans and finance lease receivable:	2,477,228	2,059,510	417,718	142,222	122,479	19,743	260,438	247,107	13,331	2,879,888	2,429,096	450,792
loans to SMEs	*1,386,394*	*1,286,952*	*99,442*	*88,304*	*85,984*	*2,320*	*168,306*	*166,972*	*1,334*	*1,643,004*	*1,539,908*	*103,096*
loans to other enterprises	*664,620*	*539,708*	*124,912*	*15,710*	*6,140*	*9,570*	*53,397*	*52,909*	*488*	*733,727*	*598,757*	*134,970*
loans to individuals	*426,214*	*232,850*	*193,364*	*38,208*	*30,355*	*7,853*	*38,735*	*27,226*	*11,509*	*503,157*	*290,431*	*212,726*
Investment securities:	425,884	-	425,884	-	-	-	-	-	-	425,884	-	425,884
available-for-sale	*50,676*	-	*50,676*	-	-	-	-	-	-	*50,676*	-	*50,676*
held-to-maturity	*375,208*	-	*375,208*	-	-	-	-	-	-	*375,208*	-	*375,208*
Other assets	69,782	-	69,782	77	-	77	2	-	2	69,861	-	69,861
Total	**3,456,679**	**2,233,274**	**1,223,405**	**142,299**	**122,479**	**19,820**	**260,461**	**247,107**	**13,354**	**3,859,439**	**2,602,860**	**1,256,579**

The Group as of 31 December 2007 (as re-presented (Note 5)):

	Neither past due nor impaired			Past due but not impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	162,894	-	162,894	-	-	-	-	-	-	162,894	-	162,894
Loans and advances to banks and other financial institutions	819,913	80,179	739,734	-	-	-	-	-	-	819,913	80,179	739,734
Financial assets at fair value through profit or loss	233,227	-	233,227	-	-	-	-	-	-	233,227	-	233,227
Loans and finance lease receivable:	1,888,453	1,524,597	363,856	105,493	98,046	7,447	151,630	144,383	7,247	2,145,576	1,767,026	378,550
loans to SMEs	*1,189,369*	*989,357*	*200,012*	*50,326*	*48,502*	*1,824*	*22,269*	*21,534*	*735*	*1,261,964*	*1,059,393*	*202,571*
loans to other enterprises	*302,792*	*229,217*	*73,575*	*23,655*	*23,214*	*441*	*113,982*	*112,618*	*1,364*	*440,429*	*365,049*	*75,380*
loans to individuals	*396,292*	*306,023*	*90,269*	*31,512*	*26,330*	*5,182*	*15,379*	*10,231*	*5,148*	*443,183*	*342,584*	*100,599*
Investment securities:	428,622	-	428,622	-	-	-	-	-	-	428,622	-	428,622
available-for-sale	*33,777*	-	*33,777*	-	-	-	-	-	-	*33,777*	-	*33,777*
held-to-maturity	*394,845*	-	*394,845*	-	-	-	-	-	-	*394,845*	-	*394,845*
Other assets	91,058	-	91,058	140	-	140	142	-	142	91,340	-	91,340
Total	**3,624,167**	**1,604,776**	**2,019,391**	**105,633**	**98,046**	**7,587**	**151,772**	**144,383**	**7,389**	**3,881,572**	**1,847,205**	**2,034,367**

The Bank as of 31 December 2008:

	Neither past due nor individually impaired			Past due but not individually impaired			Individually impaired			Total		
	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral	Book value	Fair value of the collateral	Book value less collateral
Funds with central banks	144,216	-	144,216	-	-	-	-	-	-	144,216	-	144,216
Loans and advances to banks and other financial institutions	875,541	173,764	701,777	-	-	-	53,332	-	53,332	928,873	173,764	755,109
Financial assets at fair value through profit or loss	26,511	-	26,511	-	-	-	-	-	-	26,511	-	26,511
Loans and finance lease receivable:	2,197,919	1,897,951	299,968	97,183	79,891	17,292	217,402	212,895	4,507	2,512,504	2,190,737	321,767
loans to SMEs	*1,337,516*	*1,241,856*	*95,660*	*57,948*	*55,628*	*2,320*	*144,566*	*143,236*	*1,330*	*1,540,030*	*1,440,720*	*99,310*
loans to other enterprises	*654,659*	*529,747*	*124,912*	*13,885*	*4,315*	*9,570*	*51,672*	*51,183*	*489*	*720,216*	*585,245*	*134,971*
loans to individuals	*205,744*	*126,348*	*79,396*	*25,350*	*19,948*	*5,402*	*21,164*	*18,476*	*2,688*	*252,258*	*164,772*	*87,486*
Investment securities:	422,493	-	422,493	-	-	-	-	-	-	422,493	-	422,493
available-for-sale	*50,482*	-	*50,482*	-	-	-	-	-	-	*50,482*	-	*50,482*
held-to-maturity	*372,011*	-	*372,011*	-	-	-	-	-	-	*372,011*	-	*372,011*
Other assets	57,401	-	57,401	77	-	77	2	-	2	57,480	-	57,480
Total	**3,724,081**	**2,071,715**	**1,652,366**	**97,260**	**79,891**	**17,369**	**270,736**	**212,895**	**57,841**	**4,092,077**	**2,364,501**	**1,727,576**

The Bank as of 31 December 2007 (as re-presented (Note 5)):

	Neither past due nor impaired			Past due but not impaired			Individually impaired			Total		
	Book value	**Fair value of the collateral**	**Book value less collateral**	**Book value**	**Fair value of the collateral**	**Book value less collateral**	**Book value**	**Fair value of the collateral**	**Book value less collateral**	**Book value**	**Fair value of the collateral**	**Book value less collateral**
Funds with central banks	162,894	-	162,894	-	-	-	-	-	-	162,894	-	162,894
Loans and advances to banks and other financial institutions	1,224,355	80,179	1,144,176	-	-	-	-	-	-	1,224,355	80,179	1,144,176
Financial assets at fair value through profit or loss	213,546	-	213,546	-	-	-	-	-	-	213,546	-	213,546
Loans and finance lease receivable:	1,615,531	1,297,155	318,376	63,438	58,089	5,349	139,498	135,651	3,847	1,818,467	1,490,895	327,572
loans to SMEs	*1,134,627*	*934,615*	*200,012*	*31,483*	*29,659*	*1,824*	*22,174*	*21,439*	*735*	*1,188,284*	*985,713*	*202,571*
loans to other enterprises	*258,307*	*189,420*	*68,887*	*23,046*	*22,922*	*124*	*113,982*	*112,618*	*1,364*	*395,335*	*324,960*	*70,375*
loans to individuals	*222,597*	*173,120*	*49,477*	*8,909*	*5,508*	*3,401*	*3,342*	*1,594*	*1,748*	*234,848*	*180,222*	*54,626*
Investment securities:	424,975	-	424,975	-	-	-	-	-	-	424,975	-	424,975
available-for-sale	*31,281*	-	*31,281*	-	-	-	-	-	-	*31,281*	-	*31,281*
held-to-maturity	*393,694*	-	*393,694*	-	-	-	-	-	-	*393,694*	-	*393,694*
Other assets	52,869	-	52,869	140	-	140	1	-	1	53,010	-	53,010
Total	**3,694,170**	**1,377,334**	**2,316,836**	**63,578**	**58,089**	**5,489**	**139,499**	**135,651**	**3,848**	**3,897,247**	**1,571,074**	**2,326,173**

h) Financial assets which terms have been renegotiated

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

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
-	-	Funds with central banks	-	-
-	-	Loans and advances to banks and other financial institutions	2,651	-
-	-	Financial assets at fair value through profit or loss	-	-
188,442	22,204	Loans and finance lease receivable:	188,442	22,204
184,818	*14,263*	*loans to SMEs*	*184,818*	*14,263*
2,065	*7,381*	*loans to other enterprises*	*2,065*	*7,381*
1,559	*560*	*loans to individuals*	*1,559*	*560*
-	-	Investment securities:	-	-
-	-	*available for sale*	-	-
-	-	*held to maturity*	-	-
-	-	Other assets	-	-
188,442	**22,204**	**Total**	**191,093**	**22,204**

NOTE 34 LIQUIDITY RISK AND FUNDING MANAGEMENT

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

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

As of 31 December 2008 the Group's assets and liabilities by maturity were as follows:

	Up to 1 month	1–3 months	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash and balances with central bank	188,875	-	-	-	-	-	188,875
Loans and advances to banks and other financial institutions	107,581	65,001	120,893	865	-	-	294,340
Financial assets at fair value through profit or loss	16,663	1,358	1,552	3,052	3,155	19,470	45,250
Loans and finance lease receivable	755,111	144,567	887,652	842,380	183,615	66,563	2,879,888
Investment securities:	1,656	13,134	82,810	245,615	61,939	20,730	425,884
available-for-sale	*73*	*280*	*22*	*-*	*29,571*	*20,730*	*50,676*
held-to-maturity	*1,583*	*12,854*	*82,788*	*245,615*	*32,368*	*-*	*375,208*
Intangible assets	-	-	-	-	-	22,671	22,671
Property, plant and equipment	-	-	-	-	-	30,928	30,928
Investment property	-	-	-	-	-	26,026	26,026
Deferred income tax assets	-	-	-	-	-	910	910
Other assets	26,561	689	2,661	11,370	21,865	6,735	69,881
Total assets	**1,096,447**	**224,749**	**1,095,568**	**1,103,282**	**270,574**	**194,033**	**3,984,653**
Liabilities							
Due to banks and other financial institutions	210,790	75,630	15,575	47,268	-	31,372	380,635
Financial liabilities at fair value through profit or loss	1,161	-	-	-	-	-	1,161
Due to customers	1,209,987	454,076	1,200,957	50,314	564	-	2,915,898
Debt securities in issue	-	24,784	-	-	-	-	24,784
Subordinated loans	1,313		4,377	4,304	93,226	-	103,220
Deferred tax liabilities	-	-	-	-	-	1,186	1,186
Other liabilities	41,324	209	2,049	709	19,381	122	63,794
Total liabilities	**1,464,575**	**554,699**	**1,222,958**	**102,595**	**113,171**	**32,680**	**3,490,678**
Net position	**(368,128)**	**(329,950)**	**(127,390)**	**1,000,687**	**157,403**	**161,353**	**493,975**

As of 31 December 2007 (as re-presented (Note 5)) the Group's assets and liabilities by maturity were as follows:

	Up to 1 month	1–3 months	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Total assets	1,058,171	287,506	1,018,398	1,068,175	324,875	567,603	**4,324,728**
Total liabilities	1,883,190	372,504	1,267,519	134,362	111,261	41,699	**3,810,535**
Net position	**(825,019)**	**(84,998)**	**(249,121)**	**933,813**	**213,614**	**525,904**	**514,193**

As of 31 December 2008 the Bank's assets and liabilities by maturity were as follows:

	Up to 1 month	1–3 months	3–12 months	1–5 years	5 years and up	Unlimited period	Total
Assets							
Cash and balances with central bank	188,874	-	-	-	-	-	188,874
Loans and advances to banks and other financial institutions	406,646	114,290	205,221	53,772	148,944	-	928,873
Financial assets held for trading	15,771	93	138	700	-	9,809	26,511
Loans and finance lease receivable	722,108	114,553	783,428	657,131	169,310	65,974	2,512,504
Investment securities:	1,651	13,123	81,279	243,965	61,939	20,536	422,493
available-for-sale	*73*	*280*	*22*	*-*	*29,571*	*20,536*	*50,482*
held-to-maturity	*1,578*	*12,843*	*81,257*	*243,965*	*32,368*	*-*	*372,011*
Investments in subsidiaries	-	-	-	-	-	39,821	39,821
Intangible assets	-	-	-	-	-	2,778	2,778
Property, plant and equipment	-	-	-	-	-	27,934	27,934
Investment property	-	-	-	-	-	16,052	16,052
Deferred income tax assets	-	-	-	-	-	910	910
Other assets	25,644	654	2,595	11,345	13,309	3,953	57,500
Total assets	**1,360,694**	**242,713**	**1,072,661**	**966,913**	**393,502**	**187,767**	**4,224,250**
Liabilities							
Due to banks and other financial institutions	205,942	369,880	18,993	47,596	-	31,372	673,783
Financial liabilities at fair value through profit or loss	1,223	-	-	-	-	-	1,223
Due to customers	1,209,987	454,076	1,200,957	50,314	564	-	2,915,898
Debt securities in issue	-	27,021	-	-	-	-	27,021
Subordinated loans	1,313	-	4,377	4,304	93,226	-	103,220
Other liabilities	28,504	68	30	-	-	-	28,602
Total liabilities	**1,446,969**	**851,045**	**1,224,357**	**102,214**	**93,790**	**31,372**	**3,749,747**
Net position	**(86,275)**	**(608,332)**	**(151,696)**	**864,699**	**299,712**	**156,395**	**474,503**

As of 31 December 2007 (as re-presented (Note 5)) the Bank's assets and liabilities by maturity were as follows:

Total assets	1,121,996	252,028	959,427	1,119,283	359,904	206,447	**4,019,085**
Total liabilities	1,849,459	364,925	1,144,106	133,214	94,262	3,081	**3,589,047**
Net position	**(727,463)**	**(112,897)**	**(184,679)**	**986,069**	**265,642**	**203,366**	**430,038**

NOTE 35 MARKET RISK MANAGEMENT

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

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

a) currency risk

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

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

Concentrations of assets, liabilities and off balance sheet items of the Group as of 31 December 2008:

	EUR	USD	LTL	Other	Total
Assets					
Cash and balances with central bank	13,015	6,427	168,450	983	**188,875**
Loans and advances to banks and other financial institutions	54,625	117,302	111,253	11,160	**294,340**
Financial assets at fair value through profit or loss	13,477	14,401	16,104	1,268	**45,250**
Loans and finance lease receivable	618,266	178,384	2,074,737	8,501	**2,879,888**
Investment securities:	165,836	234,590	20,710	4,748	**425,884**
available-for-sale	*4,469*	*26053*	*16,968*	*3,186*	***50,676***
held-to-maturity	*161,367*	*208,537*	*3,742*	*1,562*	***375,208***
Intangible assets	-	-	22,643	28	**22,671**
Property, plant and equipment	-	-	29,154	1,774	**30,928**
Investment property	-	-	26,026	-	**26,026**
Deferred income tax assets	-	-	910	-	**910**
Other assets	8,172	183	58,937	2,589	**69,881**
Total assets	**873,391**	**551,287**	**2,528,924**	**31,051**	**3,984,653**
Liabilities					
Due to banks and other financial institutions	82,398	205,918	45,310	47,009	**380,635**
Financial liabilities at fair value through profit or loss	67	-	1,094	-	**1,161**
Due to customers	659,206	461,108	1,775,845	19,739	**2,915,898**
Debt securities in issue	4,124	-	20,660	-	**24,784**
Subordinated loans	94,539	8,681	-	-	**103,220**
Deferred income tax liabilities			1,186	-	**1,186**
Other liabilities	4,612	10,399	48,112	671	**63,794**
Total liabilities	**844,946**	**686,106**	**1,892,207**	**67,419**	**3,490,678**
Total equity	**-**	**-**	**498,127**	**(4,152)**	**493,975**
Total liabilities and equity	**844,946**	**686,106**	**2,390,334**	**63,267**	**3,984,653**
Net balance sheet position	28,445	(134,819)	138,590	(32,216)	-
Credit commitments	35,267	4,329	130,108	44	169,748
Issued guarantees	4,550	4,655	23,813	54	33,072
Net off balance FX deals position	(95,438)	128,369	(65,943)	38,266	5,254

Concentrations of assets, liabilities and off balance sheet items of the Group as of 31 December 2007 (as represented (Note 5)):

	EUR	USD	LTL	Other	Total
Total assets	**809,932**	**1,019,480**	**1,920,969**	**574,347**	**4,324,728**
Total liabilities and equity	**1,026,141**	**1,045,751**	**1,940,489**	**312,347**	**4,324,728**
Net balance sheet position	(216,209)	(26,271)	(19,520)	262,000	-
Credit commitments	113,807	9,926	135,103	4,617	263,453
Issued guarantees	10,672	1,650	19,091	50	31,463
Net off balance FX deals position	**220,370**	**28,968**	**47**	**(251,197)**	**(1,812)**

Concentrations of assets, liabilities and off balance sheet items of the Bank as of 31 December 2008:

	EUR	USD	LTL	Other	Total
Assets					
Cash and balances with central bank	13,015	6,427	168,449	983	**188,874**
Loans and advances to banks and other financial institutions	213,895	158,924	545,236	10,818	**928,873**
Financial assets at fair value through profit or loss	906	12,028	13,036	541	**26,511**
Loans and finance lease receivable	573,706	136,982	1,793,315	8,501	**2,512,504**
Investment securities:	163,887	234,011	19,860	4,735	**422,493**
available-for-sale	*4,469*	*26,053*	*16,787*	*3,173*	***50,482***
held-to-maturity	*159,418*	*207,958*	*3,073*	*1,562*	***372,011***
Investments in subsidiaries	-	-	39,821	-	**39,821**
Intangible assets	-	-	2,778	-	**2,778**
Property, plant and equipment	-	-	27,934	-	**27,934**
Investment property	-	-	16,052	-	**16,052**
Deferred income tax assets	-	-	910	-	**910**
Other assets	8,146	173	46,784	2,397	**57,500**
Total assets	**973,555**	**548,545**	**2,674,175**	**27,975**	**4,224,250**
Liabilities					
Due to banks and other financial institutions	77,054	205,923	343,797	47,009	**673,783**
Financial liabilities at fair value through profit or loss	67	-	1,156	-	**1,223**
Due to customers	659,206	461,108	1,775,845	19,739	**2,915,898**
Debt securities in issue	4,124	-	22,897	-	**27,021**
Subordinated loans	94,539	8,681	-	-	**103,220**
Other liabilities	1,873	5,616	21,051	62	**28,602**
Total liabilities	**836,863**	**681,328**	**2,164,746**	**66,810**	**3,749,747**
Total equity	**-**	**-**	**474,503**	**-**	**474,503**
Total liabilities and equity	**836,863**	**681,328**	**2,639,249**	**66,810**	**4,224,250**
Net balance sheet position	136,692	(132,783)	34,926	(38,835)	-
Credit commitments	37,154	4,329	55,320	44	96,847
Issued guarantees	4,550	4,655	23,813	54	33,072
Net off balance FX deals position	(96,075)	128,945	(65,943)	38,266	5,193

Concentrations of assets, liabilities and off balance sheet items of the Bank as of 31 December 2007 (as represented (Note 5)):

	EUR	USD	LTL	Other	Total
Total assets	**834,131**	**1,020,393**	**1,818,429**	**346,132**	**4,019,085**
Total liabilities and equity	**1,004,058**	**1,045,590**	**1,874,851**	**94,586**	**4,019,085**
Net balance sheet position	(169,927)	(25,197)	(56,422)	251,546	-
Credit commitments	123,033	12,415	108,853	5,428	249,729
Issued guarantees	10,672	1,650	18,993	50	31,365
Net off balance FX deals position	**220,370**	**29,769**	**(751)**	**(251,197)**	**(1,809)**

Sensitivity to currency risk, LTL'000:

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Sensitivity to changes in EUR rates		
-	-	Expected rate fluctuation, %	-	-
(66,993)	302	Open position	40,617	50,443
-	-	Effect on profit or loss	-	-
-	-	Effect on equity	-	-
		Sensitivity to changes in USD rates		
3.97	10.39	Expected rate fluctuation, %	3.97	10.39
(6,450)	2,178	Open position	(3,837)	4,915
±256	±226	Effect on profit or loss	±152	±511
-	-	Effect on equity	-	-
		Sensitivity to changes in RUB rates		
-	3.63	Expected rate fluctuation, %	-	3.63
-	13,027	Open position	-	973
-	±473	Effect on profit or loss	-	±35
-	-	Effect on equity	-	-
		Sensitivity to changes in UAH rates		
31.06	10.62	Expected rate fluctuation, %	31.06	10.62
5,881	5,128	Open position	1	-
±1,827	±545	Effect on profit or loss	-	-
-	-	Effect on equity	-	-

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

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

b) interest rate risk

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

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

To minimize the risk of interest rate fluctuations granting loans with variable interest rate the Group/Bank sets a floor for fixed interest rates. As of 31 December 2008 loans with fixed lowest interest rate for the Group/Bank comprised LTL'000 1,570,530 (31 December 2007: LTL'000 1,155,260).

The table below summarizes the Group's exposure to interest rate risks as of 31 December 2008.

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Assets						
Cash and balances with central bank	63,640	-	-	-	125,235	**188,875**
Loans and advances to banks and other financial institutions	64,312	64,569	124,393	799	40,267	**294,340**
Financial assets at fair value through profit or loss	9,416	-	-	-	35,834	**45,250**
Loans and finance lease receivable	1,876,826	97,646	523,767	308,353	73,296	**2,879,888**
Investment securities:	33,714	21,923	78,332	261,839	30,076	**425,884**
available-for-sale	*29,571*				*21,105*	***50,676***
held-to-maturity	*4,143*	*21,923*	*78,332*	*261,839*	*8,971*	***375,208***
Intangible assets	-	-	-	-	22,671	**22,671**
Property, plant and equipment	-	-	-	-	30,928	**30,928**
Investment property	-	-	-	-	26,026	**26,026**
Deferred income tax assets	-	-	-	-	910	**910**
Other assets	-	-	-	-	69,881	**69,881**
Total assets	**2,047,908**	**184,138**	**726,492**	**570,991**	**455,124**	**3,984,653**
Liabilities						
Due to banks and other financial institutions	162,430	107,876	11,613	11,276	87,440	**380,635**
Financial liabilities at fair value through profit or loss	-	-	-	-	1,161	**1,161**
Due to customers	723,958	445,356	1,178,504	44,229	523,851	**2,915,898**
Debt securities in issue	-	24,081	-	-	703	**24,784**
Subordinated loans	-	-	3,676	96,902	2,642	**103,220**
Deferred income tax liabilities	-	-	-	-	1,186	**1,186**
Other liabilities	-	-	-	-	63,794	**63,794**
Total liabilities	**886,388**	**577,313**	**1,193,793**	**152,407**	**680,777**	**3,490,678**
Off balance sheet claims sensitive to interest rate changes	17,264	-	-	-	-	17,264
Off balance sheet liabilities sensitive to interest rate changes	17,264	-	-	-	-	17,264
Interest rate risk	1,161,520	(393,175)	(467,301)	418,584	(225,653)	493,975

The table below summarizes the Group's exposure to interest rate risks as of 31 December 2007 (as re-presented):

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Total assets	**1,903,027**	**256,971**	**752,906**	**549,755**	**862,069**	**4,324,728**
Total liabilities	**673,320**	**417,531**	**1,270,021**	**166,210**	**1,283,453**	**3,810,535**
Off balance sheet liabilities sensitive to interest rate changes	125,569	-	-	-	-	125,569
Interest rate risk	1,104,138	(160,560)	(517,115)	383,545	(421,384)	388,624

The table below summarizes the Bank's exposure to interest rate risks as of 31 December 2008:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Assets						
Cash and balances with central bank	63,640	-	-	-	125,234	**188,874**
Loans and advances to banks and other financial institutions	652,665	64,369	123,634	48,359	39,846	**928,873**
Financial assets held for trading	700	-	-	-	25,811	**26,511**
Loans and finance lease receivable	1,842,965	49,235	403,422	147,839	69,043	**2,512,504**
Investment securities:	33,714	21,923	76,858	260,230	29,768	**422,493**
available-for-sale	*29,571*	-	-	-	*20,911*	***50,482***
held-to-maturity	*4,143*	*21,923*	*76,858*	*260,230*	*8,857*	***372,011***
Investments in subsidiaries	-	-	-	-	39,821	**39,821**
Intangible assets	-	-	-	-	2,778	**2,778**
Property, plant and equipment	-	-	-	-	27,934	**27,934**
Investment property	-	-	-	-	16,052	**16,052**
Deferred income tax assets	-	-	-	-	910	**910**
Other assets	-	-	-	-	57,500	**57,500**
Total assets	**2,593,684**	**135,527**	**603,914**	**456,428**	**434,697**	**4,224,250**
Liabilities						
Due to banks and other financial institutions	157,158	402,126	15,010	11,587	87,902	**673,783**
Financial liabilities at fair value through profit or loss	-	-	-	-	1,223	**1,223**
Due to customers	723,958	445,356	1,178,504	44,229	523,851	**2,915,898**
Debt securities in issue	-	26,318	-	-	703	**27,021**
Subordinated loans	-	-	3,676	96,902	2,642	**103,220**
Other liabilities	-	-	-	-	28,602	**28,602**
Total liabilities	**881,116**	**873,800**	**1,197,190**	**152,718**	**644,923**	**3,749,747**
Off balance sheet claims sensitive to interest rate changes	17,264	-	-	-	-	17,264
Off balance sheet liabilities sensitive to interest rate changes	17,264	-	-	-	-	17,264
Interest rate risk	1,712,568	(738,273)	(593,276)	303,710	(210,226)	474,503

The table below summarizes the Bank's exposure to interest rate risks as of 31 December 2007:

	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Total assets	**2,165,110**	**215,657**	**660,931**	**436,772**	**540,615**	**4,019,085**
Total liabilities	**667,641**	**411,794**	**1,149,617**	**166,210**	**1,193,785**	**3,589,047**
Off balance sheet liabilities sensitive to interest rate changes	125,569	-	-	-	-	125,569
Interest rate risk	1,371,900	(196,137)	(488,686)	270,562	(653,170)	304,469

Sensitivity to interest rate risk:

The Group 2008	The Group 2007		The Bank 2008	The Bank 2007
		Changes in profit or loss if interest rates increased by 1 percentage point		
4,152	4,094	LTL	4,782	4,736
1,257	179	EUR	2,426	737
(721)	1,870	USD	(671)	1,912
(238)	87	Other currencies	(245)	1,136
4,450	**6,230**	**Total changes in profit or loss if interest rates increased by 1 percentage point**	**6,292**	**8,521**
		Changes in profit or loss if interest rates decreased by 1 percentage point		
(4,152)	(4,080)	LTL	(4,781)	(4,723)
1,514	428	EUR	1,775	(130)
1,792	(1,327)	USD	1,742	(1,369)
312	31	Other currencies	319	(1,019)
(534)	**(4,948)**	**Total changes in profit or loss if interest rates decreased by 1 percentage point**	**(945)**	**(7,241)**

Negative impact from the decrease in interest rates is lower than positive impact from the increase in interest rates because of the variable rate loans granted with fixed minimal interest rates.

NOTE 36 OTHER RISKS INHERENT IN THE GROUP'S ACTIVITY

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

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

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

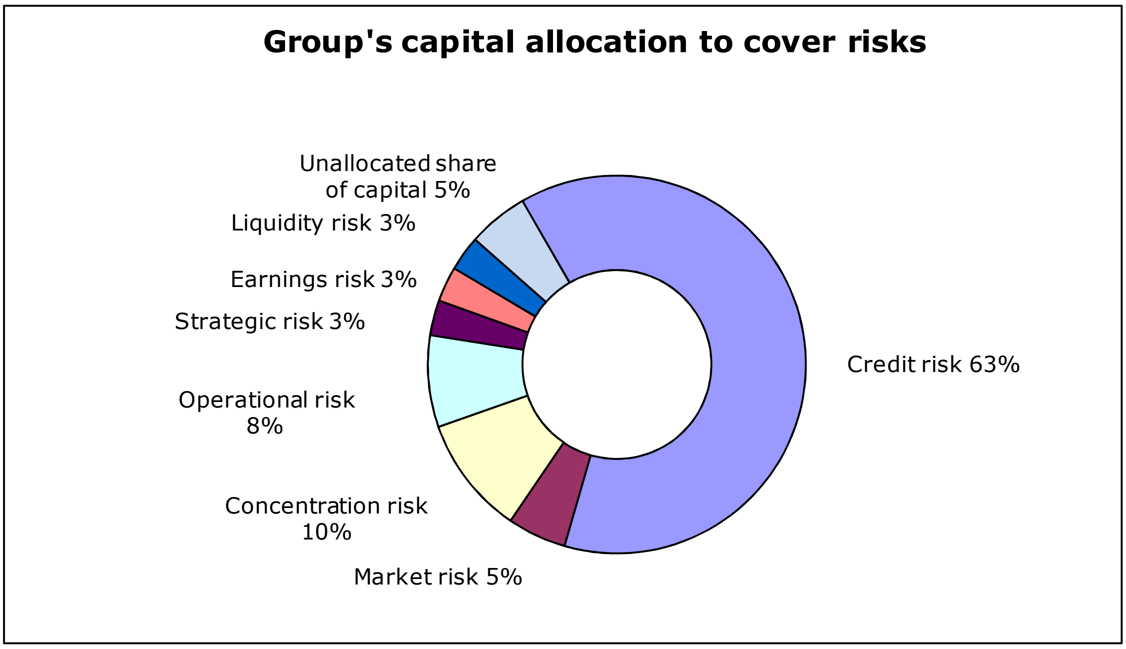
Strategic risk is the risk arising from external or internal factors of Group's environment, which could result in negative impact on implementation of the Group's objectives, continuity and going concern of Group's operations due to deficient or erroneous assessments.

Reputation risk is the risk of adverse image of the Group's reputation in the eyes of customers / counterparties / shareholders / investors having negative impact on Group earnings or capital.

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

NOTE 37 ALLOCATION OF CAPITAL TO COVER RISKS

In addition to calculations of capital to cover the risk, the Group calculates and plans the economic capital. In accordance with the risk management strategy, Group's allocated capital to cover the risk has to be 10 percent higher than calculated economic capital. The Bank's management took measures to increase the volumes of capital to cover risk by reception of subordinated loans. The Group calculates economic capital to cover all identified major risks. In the process of calculation of Group's economic capital, credit and operational risk are assessed using standard and basic indicator approaches, additionally, the system of internal risk indicators is used to assess possible deficits of capital requirement calculated under these approaches. Internal market models and conservative stress tests are used to assess the market risk. Internal risk assessment and additional capital requirement systems are implemented for assessment of liquidity, concentration, strategic, reputation and earnings risks. In calculation of aggregate economic capital to cover risks, the Group adds up capital required for different risks without taking account of risk diversification factor due to low actual correlation of individual risks. The Group's capital allocation to cover risks as of 31 December 2008 is presented below:



NOTE 38 COMPLIANCE WITH PRUDENTIAL REQUIREMENTS

In 2008 and 2007, the Group and the Bank were in compliance with all the requirements set by the Bank of Lithuania.

The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2008 is presented in the table below:

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	>= 8 percent	12.79%	13.29%
Liquidity ratio	>= 30 percent	42.75%	35.99%
Maximum credit exposure to a single borrower	<= 25 percent (for subsidiaries – 75 percent) of eligible capital	Complied	Complied
Large loans	<= 800 percent of eligible capital	357.06%	200.71%
Aggregate open foreign currency position	<= 25 percent of eligible capital	(0.99)%	(1.38)%
Single open foreign currency position	<= 15 percent of eligible capital	(0.82)%	(1.25)%

The compliance with the limits and ratios set by the Bank of Lithuania as of 31 December 2007 (as represented (Note 5)) is presented in the table below:

Ratio	Requirement	Bank's ratio	Group's ratio
Capital adequacy ratio	>= 8 percent	11.67%	12.63%
Liquidity ratio	>= 30 percent	49.43%	46.62%
Maximum credit exposure to a single borrower	<= 25 percent (for subsidiaries – 75 percent) of eligible capital	Complied	Complied
Large loans	<= 800 percent of eligible capital	269.29%	105.44%
Aggregate open foreign currency position	<= 25 percent of eligible capital	1.43%	4.44%
Single open foreign currency position	<= 15 percent of eligible capital	1.02%	2.65%

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

NOTE 39 CAPITAL ADEQUACY

The capital adequacy ratio set by Bank of Lithuania is to be at least 8 percent of the Group's and the Bank's capital.

Starting from year 2008, the compliance with capital adequacy ratio is calculated based on the General Regulations for the Calculation of Capital Adequacy (No 138 09 11 2006) approved by the board of the Bank of Lithuania. The compliance with capital adequacy ratio as of 31 December 2007 is recalculated according to the provisions of beforementioned regulation.

The capital adequacy ratio as of 31 December 2008 and 31 December 2007 calculated in accordance with the Banko f Lithuania regulations, is presented in the tabale below:

The Group 2008	The Group 2007 as re-presented (Note 5)		The Bank 2008	The Bank 2007 as re-presented (Note 5)
		Tier 1 capital		
196,708	196,708	Share capital	196,708	196,708
76,500	76,500	Share premium	76,500	76,500
50,000	-	Reserve capital	50,000	-
60,145	36,242	Undistributed profit of previous years	33,825	36,679
11,245	5,300	Legal reserve	10,971	4,900
49,116	21,543	General reserve for losses of assets	49,116	21,543
(110)	-	Revaluation reserve – available-for-sale investment securities	-	-
(22,671)	(26,217)	Deductions	(22,513)	(23,432)
420,933	**310,076**	**Total Tier 1 capital**	**394,607**	**312,898**
		Tier 2 capital		
-	8,651	Revaluation reserve – available-for-sale investment securities	-	7,636
-	67,893	Fixed assets revaluation reserve	-	-
2,358	7,546	Currency translation reserve	-	-
-	2,000	Restricted (distributable) profit	-	2,000
93,961	95,347	Eligible for inclusion in Tier 2 capital part of subordinated loans	93,961	95,347
-	-	Deductions	(19,736)	(21,086)
96,319	**181,437**	**Total Tier 2 capital**	**74,225**	**83,897**
517,252	**491,513**	**Total Capital Base**	**468,832**	**396,795**
		Risk-weighted assets and off-balance sheet items		
3,261,140	3,300,054	Banking book risk-weighted assets and off-balance sheet items	3,169,020	2,839,720
184,190	313,910	Trading book risk-weighted assets and off-balance sheet items	131,260	326,230
445,560	278,790	Operational risk risk-weighted assets and off-balance sheet items	365,030	235,390
3,890,890	**3,892,754**	**Total risk-weighted assets and off-balance sheet items**	**3,665,310**	**3,401,340**
10.82	**7.97**	**Tier 1 capital / Total risk-weighted assets and off-balance sheet items, %**	**10.77**	**9.20**
13.29	**12.63**	**Capital adequacy ratio, %**	**12.79**	**11.67**

NOTE 40 RELATED PARTY TRANSACTIONS

Related party	Description of relationship
Shareholders	Shareholders whose interest exceeds 5 percents of share capital
Members of the Board and Council	
Subsidiaries	Companies, comprising the Group as described in Note 1 to financial statements
Other related parties	Balkan Investment Bank A. D.; UAB Ūkio Banko Investicinė Grupė; UAB Asocijuoto Turto Valdymas; UAB FMĮ Finbaltus; UAB Apskaita ir Verslo Projektai and; heads of administration of the Bank's subsidiaries and their close relatives, close relatives of the Bank's shareholders and members of the Board and Council

During the year 2008 and 2007 Group companies entered into the following transactions with related parties that are not members of the Group:

The Group	Members of the Board and the Council	Shareholders	Other related parties
As of 31 December 2008			
Loans, finance lease receivable	3,494	-	112,371
Interest income	134	-	5,444
Deposits	2,215	21	39,807
Interest expenses	141	6	658
As of 31 December 2007 (as re-presented (Note 5))			
Loans, finance lease receivable	2,898	-	85,694
Interest income	120	-	3,833
Deposits	1,640	-	5,730
Interest expenses	14	-	3,255

The Bank	Members of the Board and the Council	Shareholders	Other related parties
As of 31 December 2008			
Loans, finance lease	3,480	-	112,255
Interest income	131	-	5,436
Deposits	2,215	21	39,807
Interest expenses	141	6	658
As of 31 December 2007 (as re-presented (Note 5))			
Loans, finance lease	2,878	-	57,554
Interest income	119	-	3,005
Deposits	1,640	-	5,730
Interest expenses	14	-	3,255

The Group			The Bank	
2008	**2007**	**Compensation to key management personnel**	**2008**	**2007**
5,807	8,501	Short-terms payments	4,582	6,882
33	34	Long-terms payments	33	34

As of 31 December 2008 and for the twelve month period then ended related party transactions between the Bank and subsidiaries were as follows:

Related parties	Bank's payables	Bank's receivables	Income received	Expenses
GD UAB Bonum Publicum	10,145	1	96	532
UAB Ūkio Banko Lizingas	407	280,813	17,680	125
UAB Ūkio Banko Investicijų Valdymas	153	-	1	9
UAB Ūkio Banko Rizikos Kapitalo Valdymas	300,001	303,336	2,848	2,539
RAB Ūkio Bank Lizing	-	53,311	3,572	-

As of 31 December 2007 and for the year then ended related party transactions between the Bank and subsidiaries were as follows:

Related parties	Bank's payables	Bank's receivables	Income received	Expenses
GD UAB Bonum Publicum	8,396	253	-	-
UAB Ūkio Banko Lizingas	844	204,676	10,872	159
UAB Ūkio Banko Investicijų Valdymas	453	-	1	24
OAO Russkiy Karavay	315	-	-	-
UAB Turto Valdymo Strategija	129	64,688	3,552	1
UAB Ūkio Banko Rizikos Kapitalo Valdymas	129	2,421	31	6
UAB Turto Valdymo Sistemos	85	6,010	2,940	1
UAB Turto Valdymo Sprendimai	17	94,000	4,067	1
RAB Ūkio Bank Lizing	-	36,160	1,333	-

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

NOTE 41 CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

The Group 2008	The Group 2007	Claims and liabilities	The Bank 2008	The Bank 2007
33,072	31,463	Guarantees and warranties	33,072	31,463
981	4,722	Commitments to issue letters of credit	981	4,722
169,748	263,453	Irrevocable lending commitments	96,847	249,729
76,161	27,036	Spot liabilities	76,161	27,036
75,798	27,016	Spot claims	75,798	27,016
6	28	Other off balance commitments	6	125

As of 31 December 2008 UAB Ūkio Banko Lizingas has finance lease contracts in the amount LTL'000 1,378 signed, but not yet executed (31 December 2007: LTL'000 6,805).

Finance lease – as of 31 December 2008 the Bank has outstanding finance lease obligations under finance lease contracts in the amount of LTL'000 60 (31 December 2007: LTL'000 172). Minimum finance lease payment obligations are recorded on the balance sheet under liabilities. The Bank's obligations under finance leases are secured by the lessor's right to the leased assets. The Bank's finance lease obligations relate to lease contracts signed with the Bank's wholly owned subsidiary UAB Ūkio Banko Lizingas.

Operating leases – the Bank rents offices, other premises and land for banking activities. The Bank has outstanding non-cancelable commitments in connection with the rental agreements as of 31 December 2008 amounting to LTL'000 84,343 (31 December 2007: LTL'000 70,517).

As of 31 December 2008 the Group's and the Bank's future annual minimum commitments under leases were following:

For the year ending 31 December	2008		2007	
	Finance lease	Operating lease	Finance lease	Operating lease
2008	-	-	122	9,528
2009	61	11,428	61	8,790
2010	-	10,444	-	8,172
2011	-	9,825	-	7,573
2012	-	8,290	-	6,580
Thereafter	-	44,356	-	29,874
Minimum lease payments	**61**	**84,343**	**183**	**70,517**
Less: interest	(1)		(11)	
Present value of minimum lease payments	**60**		**172**	

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

Litigation and claims – As of 31 December 2008 and 31 December 2007 the Group/Bank was not involved in any legal proceedings except for those related to loan loss recovery.

NOTE 42 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	The Group 2008			
	Foreign exchange purchase/sale agreements, nominal	Interest rate agreements, nominal	Related to equity, nominal	Other, nominal
Claims	**480,033**	**17,264**	**-**	**-**
Forward	208,052	-	-	-
Swaps	271,961	17,264	-	-
Put options	20	-	-	-
Liabilities	**474,415**	**17,264**	**-**	**-**
Forward	202,442	-	-	-
Swaps	271,953	17,264	-	-
Put options	20	-	-	-
Call options	-	-	-	-

Derivative financial instruments	The Group 2007			
	Foreign exchange purchase/sale agreements, nominal	Interest rate agreements, nominal	Related to equity, nominal	Other, nominal
Claims	**421,244**	**-**	**-**	**-**
Forward	173,533	-	-	-
Swaps	247,562	-	-	-
Put options	139	-	-	-
Call options	10	-	-	-
Liabilities	**423,035**	**125,569**	**-**	**-**
Forward	175,078	-	-	-
Swaps	247,812	-	-	-
Put options	136	-	-	-
Call options	9	-	-	-
Futures	-	125,569	-	-

	The Bank			
	2008			
Derivative financial instruments	**Foreign exchange purchase/sale agreements, nominal**	**Interest rate agreements, nominal**	**Related to equity, nominal**	**Other, nominal**
Claims	**480,609**	**17,264**	**-**	**-**
Forward	208,628	-	-	-
Swaps	271,961	17,264	-	-
Put options	20	-	-	-
Liabilities	**475,052**	**17,264**	**-**	**-**
Forward	203,079	-	-	-
Swaps	271,953	17,264	-	-
Put options	20	-	-	-

	The Bank			
	2007			
Derivative financial instruments	**Foreign exchange purchase/sale agreements, nominal**	**Interest rate agreements, nominal**	**Related to equity, nominal**	**Other, nominal**
Claims	**422,045**	**-**	**-**	**-**
Forward	174,334	-	-	-
Swaps	247,562	-	-	-
Put options	139	-	-	-
Call options	10	-	-	-
Liabilities	**423,833**	**125,569**	**-**	**-**
Forward	175,876	-	-	-
Swaps	247,812	-	-	-
Put options	136	-	-	-
Call options	9	-	-	-
Futures	-	125,569	-	-

NOTE 43 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value estimates presented herein are based on pertinent information available to the Group as of 31 December 2008 and 2007. The Group is not aware of any factors that could have a material impact on the amounts of these fair values.

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities that as of 31 December 2008 and 2007 had not been presented in the Group's and the Bank's balance sheet statements at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	2008		**2007**	
	The Group		**The Group**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial Assets:				
Loans and advances to banks and other financial institutions	294,340	288,833	819,913	820,739
Loans and finance lease receivable	2,879,888	2,854,674	2,145,576	2,178,504
Securities held-to-maturity	375,208	361,691	394,845	402,837
Financial Liabilities:				
Deposits from banks and other financial institutions	380,635	378,731	718,968	718,768
Due to customers	2,915,898	2,895,916	2,733,995	2,741,670
Debt securities in issue	24,784	24,679	-	-
Subordinated loans	103,220	93,721	101,784	102,676

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

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

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

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

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

NOTE 44 SEGMENT ANALYSIS BY BUSINESS SEGMENT

	2008				
	Banking	**Finance lease**	**Other activities**	**Elimination**	**Group**
CONTINUING OPERATIONS					
Revenues:					
Internal	27,480	138	5,902	(33,520)	-
External	402,149	57,712	19,755	(27,000)	452,615
	429,629	**57,850**	**25,657**	**(60,520)**	**452,615**
Expenses:					
Internal	(3,206)	(24,066)	(2,966)	30,238	-
External	(327,584)	(19,059)	(17,281)	-	(363,924)
	(330,790)	**(43,125)**	**(20,247)**	**30,238**	**(363,924)**
Segment result	**98,839**	**14,725**	**5,410**	**(30,282)**	**88,692**
Impairment losses	(30,217)	(18,105)	-	5,839	**(42,483)**
Depreciation and amortization	(6,530)	(524)	(245)	-	**(7,299)**
Profit before tax	**62,092**	**(3,904)**	**5,165**	**(24,443)**	**38,910**
Income tax	(4,709)	(1,160)	40	-	**(5,829)**
Net result for the period from continuing operations	**57,383**	**(5,064)**	**5,205**	**(24,443)**	**33,081**
Net result from discontinued operations	**-**	**-**	**12,478**	**2,454**	**14,932**
NET RESULT FROM CONTINUING AND DISCONTINUED OPERATIONS	**57,383**	**(5,064)**	**17,683**	**(21,989)**	**48,013**
Attributable to:					
Equity holders of the parent	*57,383*	*(5,064)*	*17,683*	*(21,989)*	*48,013*
Minority interest	-	-	-	-	-
Assets	4,224,250	380,751	349,691	(970,039)	3,984,653
Liabilities	3,749,747	369,710	326,418	(955,197)	3,490,678
Property, plant and equipment acquired	10,265	370	313	-	10,948
Intangible assets acquired	1,883	29	106	-	2,018

The Banking segment includes financial information of AB Ūkio Bankas, Finance lease segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ūkio Bank Lizing. Other activities segment includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas and GD UAB Bonum Publicum. Discontinued operations (attributed to other activities segment) includes financial information of UAB Turto valdymo strategija, UAB Turto Valdymo Sprendimai, UAB Turto Valdymo Sistemos and OAO Russkiy Karavay.

	2007 as re-presented (Note 5)				
	Banking	**Finance lease**	**Other activities**	**Elimination**	**Group**
CONTINUING OPERATIONS					
Revenues:					
Internal	22,730	174	1,687	(24,591)	-
External	354,277	43,127	7,274	-	404,678
	377,007	**43,301**	**8,961**	**(24,591)**	**404,678**
Expenses:					
Internal	(356)	(13,635)	(42)	14,033	-
External	(263,834)	(18,721)	(7,514)	-	(290,069)
	(264,190)	**(32,356)**	**(7,556)**	**14,033**	**(290,069)**
Segment result	**112,817**	**10,945**	**1,405**	**(10,558)**	**114,609**
Impairment losses	(11,014)	(6,507)	-	-	(17,521)
Depreciation and amortization	(4,839)	(359)	(86)	-	(5,284)
Profit before tax	**96,964**	**4,079**	**1,319**	**(10,558)**	**91,804**
Income tax	(14,240)	(1,353)	(2)	-	**(15,595)**
Net result for the period from continuing operations	**82,724**	**2,726**	**1,317**	**(10,558)**	**76,209**
Net result from discontinued operations	**-**	**-**	**(9,108)**	**10,068**	**960**
NET RESULT FROM CONTINUING AND DISCONTINUED OPERATIONS	**82,724**	**2,726**	**(7,791)**	**(490)**	**77,169**
Attributable to:					
Equity holders of the parent	*82,724*	*2,726*	*(7,683)*	*(490)*	*77,277*
Minority interest	-	-	*(108)*	-	*(108)*
Assets	4,019,085	314,050	689,006	(697,413)	4,324,728
Liabilities	3,589,047	300,966	553,148	(632,626)	3,810,535
Property, plant and equipment acquired	9,225	234	15,880	-	25,339
Intangible assets acquired	2,219	13	121	-	2,343

The Banking segment includes financial information of AB Ūkio Bankas, Finance lease segment includes financial information of UAB Ūkio Banko Lizingas and RAB Ūkio Bank Lizing. Other activities segment includes financial information of UAB Ūkio Banko Rizikos Kapitalo Valdymas, UAB Ūkio Banko Investicijų Valdymas and GD UAB Bonum Publicum. Discontinued operations (attributed to other activities segment) includes financial information of UAB Turto valdymo strategija, UAB Turto Valdymo Sprendimai, UAB Turto Valdymo Sistemos and OAO Russkiy Karavay.

NOTE 45 SEGMENT ANALYSIS BY GEOGRAPHICAL SEGMENT

	The Group			
	2008		2007 as re-presented (Note 5)	
Country	**Revenues**	**Assets**	**Revenues**	**Assets**
Lithuania	375,873	2,984,991	296,093	2,440,741
EU countries	17,580	322,192	47,296	910,631
USA	8,300	278,189	6,940	135,784
CIS	21,231	186,707	13,562	615,925
Other countries	1,479	212,574	16,300	221,647
Total	**424,463**	**3,984,653**	**380,191**	**4,324,728**

	The Bank			
	2008		2007 as re-presented (Note 5)	
Country	**Revenues**	**Assets**	**Revenues**	**Assets**
Lithuania	320,940	3,241,712	271,334	2,540,332
EU countries	17,540	308,282	47,312	897,610
USA	8,300	278,189	6,938	135,784
CIS	13,617	183,909	12,040	223,712
Other countries	1,459	212,158	16,294	221,647
Total	**361,856**	**4,224,250**	**353,918**	**4,019,085**

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INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Ūkio bankas following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 23.5 of the Trading Rules of the Stock Exchange NASDAQ OMX Vilnius, discloses its compliance with the Governance Code, approved by the Stock Exchange NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions.

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

		the Bank supports events, exhibitions, and invests in the cultural life of the local community.

Principle II: The corporate governance framework

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

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	Pursuant to the Lithuanian Republic laws on banks and financial institutions, the Bank, as a credit institution, has set up the Supervisory Council, the Board and elected two Chief Executive Officers.
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 Board, a collegial management body, performs the functions of the Bank's management, and the Supervisory Council, a collegial supervisory body, supervises the activities of the Board and how efficiently the Board performs its functions.
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.	Irrelevant	The Bank has set up both the Supervisory Council and the 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/No	At the time of electing the present Supervisory Council of the Bank the Corporate Governance Code was not adopted, therefore the Supervisory Council was set up in the manner prescribed by the Company Law. Members of the Bank's Supervisory Council are elected by the shareholders from the candidates nominated by the shareholders therefore the procedure of setting up the Supervisory Council ensures the representation of interests of the minority shareholders. Also please see comments provided in the III and IV principles.
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 Bank's Board comprises 5 (five) members and the Supervisory Council – 7 (seven) members. Based on the practice and opinion of the Bank's management, such number of the Board's and Supervisory Council's members is sufficient to rationally adopt decisions.
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 Council is elected for the period of 4 years and the number of terms of office of the Supervisory Council's member is not limited. Pursuant to the currently applicable Articles of Association of Ūkio bankas as well as practice, the re-election of the same members of the

		Supervisory Council for the next term of office is not prohibited.
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 Bank's Supervisory Council can conduct independent and impartial supervision since he did not take and presently does not take the office of the Chief Executive Officer of the Bank.

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 formation of the Supervisory Council ensures objective and fair monitoring of the company's management bodies. The minority shareholders' right and possibility to have their representative in a collegial body is not restricted
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	To become member of the Bank's Supervisory Council or Board the authorization from the Bank of Lithuania has to be obtained therefore all the candidate members meet the requirements for this position. The shareholders are furnished with full information (curriculum vitaes) about the candidates and during the elections possibilities are created for them to ask questions and receive desired information from the candidates. The Bank's shareholders can also receive extensive information about the members of the Bank's collegial body at the Human Resource Department, which stores data about the members of collegial bodies.
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.	No	The Bank supposes that it is sufficient to meet the standards and provisions set in the acts of law of the Republic of Lithuania including the requirement approved by the resolutions of the Bank of Lithuania which indicates that people who are being elected and assigned into senior management have to receive the permission from the Bank of Lithuania.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the	Yes	All the members of the Bank's Supervisory Council and Board possess required qualification. Pursuant to the Bank of Lithuania Board's Resolution No. 105, members of a Bank's Supervisory Council should have higher education, and at least two members of the Board should

fields of finance, accounting and/or audit for the stock exchange listed companies.		have a specific education, i.e. higher education in law, management and business administration or economics. The Bank's Supervisory Council and Board include members who are specialists in different fields. The members of Ūkio bankas Supervisory Council and Board meet the requirements set by the Bank of Lithuania. The members of Bank's Audit Committee have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.
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	At the Bank, new members of the collegial bodies are granted the right to use the Bank's internal internet system, which stores all the orders, procedures and policies applicable in the Bank as well as the Bank's organizational structure in order a newly elected member of the collegial body could evaluate the current situation of the Bank and familiarize himself/herself with the bank's activities.
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.	No	At the time of electing the present Supervisory Council of the Bank the Corporate Governance Code was not adopted, therefore the Supervisory Council was set up in the manner prescribed by the Company Law. The Bank supposes that in order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, it is sufficient to meet the standards and provisions set in the acts of law of the Republic of Lithuania.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 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	No	See commentary on the recommendation 3.6

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.	No	See commentary on the recommendation 3.6
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	See commentary on the recommendation 3.6
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of	No	See commentary on the recommendation 3.6

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.		
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 fund. The general shareholders' meeting should approve the amount of such remuneration.	No	See commentary on the recommendation 3.6

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	The Supervisory Council elected at the Bank issues responses and recommendations concerning the company's annual Financial Statements, draft of profit distribution, the company's annual report and activities of the Board and the Bank's management to the general shareholders' meeting, and performs other functions of supervising the activities of the Bank and its management bodies ascribed to the competence of the Supervisory Council.
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	According to the data possessed by the Bank all the Supervisory Council's members act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body are not elected, please see the commentary on the recommendation 3.6.
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 follows this recommendation since the members of the collegial bodies properly perform their functions, i.e. they actively participate in the meetings of the collegial body and devote sufficient time to perform their duties as collegial members.
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 Bank's collegial body always treats all shareholders impartially and fairly. The official regulations of the Bank's collegial body are being supplemented currently by describing more accurately the role of the members in communicating with and committing to shareholders.
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	Yes	The Bank follows this recommendation because any transactions concluded between the Bank and its shareholders, members of the supervisory or managing bodies and similar are

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.		subject to approval of the Supervisory Council or the Board depending on the size of the transaction and the level of members with whom the transaction is concluded. Independent members of the collegial body are not elected, please see the commentary on the recommendation 3.6
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	The Bank's collegial body is independent in passing decisions that are significant for the Bank's operations and strategy. Members of the collegial body act and pass decisions without an outside influence from the persons who have elected them. The Supervisory Council is independent of the Board. All the committees currently operating at the Bank are provided with all resources to discharge their duties. All the Bank's employees provide required information to the members of the Bank's Supervisory Council in order they could properly execute their functions and deal with the issues pertaining to their competence.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	The Bank has set up the Audit Committee, which exercises the Bank's internal audit control. The Committees of the Nomination and Remuneration are not established, the functions of these committees are successfully handled by the Bank's Board.
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/No	The Audit Committee issues recommendations related to the audit control carried out in the Bank to the Bank's Supervisory Council and the Board. The Committees of the Nomination and Remuneration are not established, the functions of these committees are successfully handled by the Bank's Board.
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	Yes/No	The Audit Committee is composed of four members.. The Committees of the Nomination

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.		and Remuneration are not established
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/No	The authority delegated to the Audit Committee as well as its accounting is set in the Committee's provisions approved by the Supervisory Council. During the year 2008 four meetings of the Committee were arranged.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	The Audit Committee works and holds its meetings in the manner prescribed in this recommendation.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The Nomination Committee in the Bank is not established.
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	No	The Remuneration Committee in the Bank is not established.

recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make	Yes	The Bank has set up the Audit Committee, which performs the functions that are established in the Regulations governing the activities of the Bank's Audit Committee and fundamentally do not differ from those indicated in this recommendation.

recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a	No	The assessment of the activities of the Bank's collegial body is conducted by a state supervisory institution – the Bank of Lithuania annually. When conducting the inspection (review), it points out all the shortcomings to be eliminated seeking efficient and productive work of the Bank's collegial body.

result of the assessment of the collegial body of its own activities.		

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	The Bank implements this recommendation and pursuant to the paragraphs 15 and 16 of the Supervisory Council's Work Regulations – "The Council meetings shall be convened by the Council chairman, and in his/her absence – by the Council deputy chairman. The meetings may also be convened by the decision passed by not less than 1/3 of the Council members. The issues proposed by the initiators of the meeting have to be included in the agenda of these meetings. When notifying of the meetings the required material prepared for the meeting has also to be presented (theses of reports, draft resolutions, certificates, explanations and other necessary documents)." Pursuant to the paragraphs 10, 15 and 16 of the Bank Board's Work regulations – "The initiative right to convoke the meeting has any and every member of the Board. The meetings are chaired by the chairperson of the Board and in his/her absence – by the Board deputy chairman. The material on the questions under consideration has to be presented to the secretary of the Board meeting two working days before the meeting.
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[1].	Yes	The Bank implements this recommendation, and pursuant to the paragraph 14 of the Supervisory Council's Work regulations – "the Council's meetings shall be convened at least once a quarter. Members shall be notified of the Council's meetings being convened in writing or orally not later than 3 (three) days in advance. In separate cases, upon having the consent of all members of the Council, the meetings may be convened within a shorter time. According to the paragraph 14 of the Bank Board's Work regulations – "meetings of the Bank's Board shall be convened 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	Yes	The Bank implements this recommendation, and pursuant to the paragraphs 14 and 15 of the Supervisory Council's Work Regulations – "When notifying of the meetings the required

issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.		material prepared for the meeting has also to be presented (theses of reports, draft resolutions, certificates, explanations and other necessary documents). The Council's meetings shall be convened at least once a quarter. Members shall be notified about the meeting being convened in writing or orally not later than 3 (three) days in advance. In separate cases, upon having consent of all members of the Council, meetings may be convened within a shorter term."
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	The Bank implements this recommendation, and pursuant to the paragraph 17 of the Supervisory Council's Work regulations – "the Bank Board's members and other Bank's managers or employees may be invited to participate in the Council's meetings with a deliberative vote. If the invited persons cannot participate in the meeting they must inform the Council's chairman or his/her deputy by stating the reason of absence."

Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares comprising the Bank's capital grant equal rights to all holders of the Bank's shares.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Bank publicly informs investors about the rights granted by the new or already issued shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[2] 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.	Yes	As stipulated by the Bank's Articles of Association (paragraphs 14.25, 14.26, 14.27, 14.28), the Bank Board's decisions concerning the investment, transfer, lease (calculated separately for each type of transaction concerning non-current assets whose balance-sheet value is bigger than ½ of the Bank's authorized capital), pledge and mortgage (the total amount of transactions is calculated) of non-current assets whose balance-sheet value is bigger than 1/20 of the Bank's authorized capital; the security and guarantee of performance of other persons' obligations whose amount is bigger than 1/20 of the bank's authorized capital; the acquisition of non-current assets at the price bigger than 1/20 of the Bank's authorized capital

		must be approved by the general shareholders' meeting..
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	The Bank implements this recommendation because the Company Law of the Republic of Lithuania also ensures equal opportunities for the shareholders to participate in the meeting and the rights and interests of the shareholders are not violated. Prior to the meeting, all shareholders interested in the activities of the Bank, may address and address the Bank's managers asking questions about the shareholders' meeting and they are furnished with extensive information.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All draft resolutions of the shareholders as well as the adopted resolutions of the shareholders are announced to all investors and persons interested in the Bank's activities via the internet information system of the Stock Exchange in the manner prescribed by law. On its website the Bank places information related to the announcement of the shareholders' meeting, draft resolutions of the shareholders' meeting as well as approved resolutions of the shareholders' meeting. The information in Banks' website is published in Lithuanian, English and Russian languages.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Bank's shareholders may exercise their right to participate in the general shareholders' meeting in person or via a representative if such a person holds a proper Power of Attorney or the Agreement on the transfer of a voting right has been concluded with him/her in the manner prescribed by legislation, the Bank also furnishes the shareholders with the opportunity to vote by completing a general voting baler as provided for in the Company Law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Until now there was no need for the Bank to implement this recommendation since there are not many foreign shareholders, who successfully implement their rights of a shareholders by delegating their representative to participate in the shareholders' meeting or voting in advance by completing the voting ballot.

Principle VII: The avoidance of conflicts of interest and their disclosure

The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	

Principle VIII: Company's remuneration policy

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

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Bank does not prepare a statement of the company's remuneration policy and does not declare it publicly being of the opinion that such information is not to be published. In the scope set by valid requirements, the average salaries are declared in the Bank's annual reports and securities' prospectuses.
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	See commentary on the recommendation 8.1
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	See commentary on the recommendation 8.1
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts	No	See commentary on the recommendation 8.1

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.		
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	See commentary on the recommendation 8.1
8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	See commentary on the recommendation 8.1
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2)The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.	No	See commentary on the recommendation 8.1

8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	No	The Bank's senior management is not remunerated for their work in shares, share options or any other right to purchase shares.
8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value,

jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Bank's management system ensures the protection of the stakeholders' rights. Employees' rights are established and assured by the Labor Code and the Bank's employment contracts with employees. Suppliers, clients and creditors have signed contracts with the Bank and on the basis thereof the Bank endeavors to observe mutual agreements in good faith, which contributes to the Bank's long-term success and good performance results. By supporting education, culture, medicine and sports, and providing other kind of social support the Bank actively participates in the local community's life and is well aware of the importance of social responsibility.
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	Labor laws grant the right to the representatives of employees to submit proposals to the Bank concerning work organization, in adoption of key decisions. The Bank does not object to employee participation in the share capital.
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	The stakeholders are granted access to relevant information.

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure. 10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under	Yes	The Bank follows this recommendation since information about the Bank's objectives, results etc. is announced on the Bank's website, the public information system of the Exchange, in the Bank's annual reports and securities' prospectuses.

disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII. 10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Bank follows this recommendation since information is presented in the Lithuanian and English languages via the system of information disclosure of the Vilnius Stock Exchange simultaneously insofar this is possible. The Stock Exchange places this information on its website and trading system and in this way simultaneous disclosure of information to all is ensured. Furthermore, the Bank announces information only before or after a trading session of the Vilnius Stock Exchange and simultaneously presents it to all the markets where the Bank's securities are traded. The Bank does not disclose information, which might have influence on the price of securities issued by it, in commentaries, interviews or any other manner before such information is publicly announced via the information system of the Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	All information on the Bank's website is placed in the Lithuanian, English and Russian languages.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The Bank follows this recommendation since it places all the information enumerated in this recommendation on its website.

Principle XI: The selection of the company's auditor

The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.

11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The Bank follows this recommendation since an independent company of auditors conducts the audit of the Bank's interim financial statements, annual financial statements and report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Bank follows this recommendation since the candidate company of auditors is proposed to the general shareholders' meeting by the company's Supervisory Council

		even though it can also be proposed by the shareholders or the Bank's Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	So far the company of auditors has not received from the Bank any other income than that for the conducted audit. Information about the income received from Bank by the company of auditors can be obtained from agreements signed between the Bank and the company of auditors, furthermore every year the shareholders approve a remuneration payable to the company of auditors and all shareholders know the amount of income received by the company of auditors, and the shareholder who is interest in the income received by the audit company from the Bank can obtain this information during the shareholders' meeting from the Bank's managers

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