

**AB DNB NORD BANKAS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

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FINANCIAL STATEMENTS  
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**Independent auditor's report**

To the Shareholders of the AB DnB NORD Bankas

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of AB DnB NORD Bankas and its subsidiaries (the 'Group') and the financial statements of AB DnB NORD Bankas (the 'Bank') set out in pages 36 - 84 which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement 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 as adopted for use in European Union. 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 accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 December 2006 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in European Union.

**Report on other legal and regulatory requirements**

Furthermore, we have read the Annual Report for the year ended 31 December 2006 set out on pages 5 – 35 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2006.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler  
Partner

Vilnius, Republic of Lithuania  
20 February 2007

Jurgita Kirvaitienė  
Auditor's Certificate No.000447

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**DNB NORD BANKAS GROUP CONSOLIDATED 2006 ANNUAL REPORT**

The year 2006 was of special importance for AB DnB NORD Bankas Group (hereinafter referred as the Group): we joined international DnB NORD banking family, changed our name and adopted our new values – dynamics, simplicity, team spirit and reliability. At the same time we consolidated our position in key market segments and earned the largest ever profit in the Group's history.

2006 was another year of impressive growth for the Group that includes AB DnB NORD Bankas (hereinafter referred as the Bank), leasing subsidiary UAB DnB NORD Lizingas and asset management company UAB DnB NORD Investiciju Valdymas. In the reporting year the Group earned a net profit of LTL 55.68 million calculated in accordance to the International Financial Reporting Standards, exceeding the previous year result by LTL 11.48 million or 26.0 percent. The result before income tax of the Group rose by 60.4 percent year-on-year to LTL 68.22 million in 2006. The financial result was achieved due to increasing customer base, fast business and loan portfolio growth as well as further improvement of operating efficiency. The Group also benefited from strong economic environment.

Over the reporting year the net interest income of the Group increased by LTL 49.24 million or 44.2 percent to LTL 160.68 million. Income benefited from high growth in volumes of loans and deposits as well as higher interest rate level. The net income from services and commissions grew by LTL 8.75 million or 22.9 percent to LTL 46.99 million reflecting the growth in the level of business of the Group. The net trading income doubled in 2006, primarily as a result of the introduction of new products and further increased income from foreign exchange.

In 2006, the Group's assets topped seven billion litas benchmark for the first time in the Group's history and the Bank firmly held its position among the country's top three banking institutions. The total assets of the Group rose by LTL 2.48 billion or 47.1 percent year-on-year to LTL 7.74 billion as at the end of December. The Bank's asset growth outpaced the market growth by 15.1 percentage points in 2006 and the Bank held 12.75 percent of the market in terms of assets as at the end of the reporting year according to Association of Lithuanian Banks' data.

When the Group joined DnB NORD banking family we made a commitment to aim to become the most dynamic financial institution in Lithuania and we are delivering on the promise. In the reporting year the Bank has already become the most flexible decision maker in Lithuania's large corporate loan market, the fastest Bank on the country's consumer loan market due to implementation of advanced electronic decision support system and won recognition as the country's Best Debt House in 2006 from international finance magazine Euromoney.

In the reporting year net loans had risen by LTL 2.07 billion or 55.1 percent year-on-year to LTL 5.82 billion. The growth resulted from increased lending both to corporate clients by LTL 1.05 billion or 46.7 percent to LTL 3.30 billion and to individual customers by LTL 1.02 billion or 68.0 percent to LTL 2.52 billion. The Bank held 15.29 percent of the market in terms of outstanding loans, a 0.84 percentage point increase over the reporting year according to Association of Lithuanian Banks' data.

In the reporting year the Bank's deposit portfolio increased by LTL 404 million or 15.4 percent to LTL 3.03 billion, of which deposits of individual customers grew up by LTL 286 million or 22.1 percent and corporate deposits increased by LTL 118 million or 8.9 percent. The Bank held 9.55 percent of the country's deposit market as at the end of 2006 according to Association of Lithuanian Banks' data.

The administrative and other operating expenses of the Group rose by LTL 26.23 million to 146.61 million in 2006, the rise largely representing the planned investments in further upgrades of the Bank's IT systems, expenses for the re-branding campaign, the rapid development of the banking products and services and fast business growth.

In the reporting year the Bank implemented a new funding approach that made long-term external funding available from the largest ultimate shareholders - DnB NOR and NORD/LB - contributing to lower funding costs of the Group.

During the reporting year risk management at the Bank aimed at ensuring a sufficient return on equity following the conservative risk management policy. Risk related activities of the Bank and the Group were strictly limited by the applicable system of limits. Limits are set and monitored centrally at the Group level. The Bank has traditional risk structure with the domination of credit risk (over 70 percent of total calculated risk volume) and also faces with liquidity, interest rate, foreign exchange and operational risk. Due to the proper risk management policy the Bank met all prudential requirements of the Bank of Lithuania over the reporting year.

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**DNB NORD BANKAS GROUP CONSOLIDATED 2006 ANNUAL REPORT (continued)**

As at the end of 2006 the Group's return on equity (ROE) was 15.0 percent. The Group's cost/income ratio was 62.1 percent in 2006 compared with 68.1 percent in 2005. Earnings per share of the Group in 2006 stood at LTL 22.15 compared with LTL 20.25 the year before.

Thanks to growing business volume and continuous increase in operating efficiency in the reporting year, the Group gained a perfect opportunity to invest even more into customer service quality and service culture with an aim to develop further customer commitment and loyalty. We believe that in the environment of strong competition, the Group's ability to offer simple and efficient solutions to its customers is the key to business success sustainability and is of prime importance for developing a long term relationship with customers.

That is why in the reporting year the Group developed the policy of customer centric approach further and introduced its new and more customer friendly model branch in Vilnius. To show its care for customers, the Bank also launched the financial consulting program in the fourth quarter of the reporting year that will be extended in 2007. The Group believes that the financial consulting program will help the Group to identify and understand the customers' financial demands better and will allow selling the Group's products more efficiently to satisfy customer needs.

The focus on product and service quality helped the Bank to augment the number of customers by 46.5 thousand in 2006 up to 545.5 thousand. The number of individual customers of the Bank increased by 10.1 percent and reached 494.3 thousand as at the end of the reporting year. The number of corporate customers stood at 51.2 thousand as at the end of 2006.

The Group served its customers through a nationwide Bank's network of 78 branches and sub-branches running the country's third largest customer service network. At the end of the reporting year the Group also served its customers through 145 the Bank's own ATMs and 258 ATMs of SEB Vilnius Bankas according to cooperation agreement. This made it Lithuania's largest ATMs network available for the Group's customers.

Over the reporting year, the number of customers using the Bank's internet banking services increased by 42 percent in 2006 year on year to 170 thousand due to constant efforts to further improve user-friendliness of the system and its functionality, the upgrade work on both to be continued in 2007.

During the reporting year the Bank issued 77.8 thousand new payment cards. At the end of 2006 the payment cards issued by the Bank totaled 286,968. The average turnover of transactions made by payment cards issued by the Bank rose by 58.6 percent year-on-year to LTL 2.49 billion.

The Group's efforts to provide quality services to its customers found response. The regular customer satisfaction survey carried out by the Group in December 2006 indicated that 89 percent of the customers polled were satisfied with the Bank's service quality. The result represents 4 percentage points improvement compared with the similar 2005 poll.

The Group's human resource policy in the reporting year has been based on belief that professional and dedicated employees are the most valuable assets of the Group. In the reporting year 85 percent of all employees participated in training events. We believe that training efficiency and learning culture is directly linked to the willingness of employees to learn, and their managers being reliable and caring coaches. For the development of human resources competence and capabilities, the Group has prepared a project and received financial support from European Union funds. To strengthen habits of employees a self- distance learning system has been implemented in the Group. We are proud that this approach has been quickly and positively accepted by employees meaning that the Group's key values - dynamics and simplicity - found acceptance in everyday work.

In the reporting year the Group continued a development program for potential managers. The program, consisting of self-managed group learning, formal trainings and participation in projects gives a good basis for managerial job. In 2006 the group of our employees successfully joined the talent pool and will participate in international projects contributing to the success of the whole DnB NORD group.

In the reporting year a comprehensive employees' satisfaction survey was conducted that was followed up by employee work effectiveness review that is being carried out by Ernst & Young Consulting. That gives the management a clear understanding of the employee's perception of the Group as an employer and provides guidelines to adjust human resource policy accordingly.

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**DnB NORD BANKAS GROUP CONSOLIDATED 2006 ANNUAL REPORT (continued)**

In the reporting year the Bank revised its employee incentive scheme that took into consideration the complexity of the whole business process and applied to all segments of this process with an aim to strengthen the input to business success of all units directly or not directly related to business. There worked 1086 employees in the Group as at the end of 2006 compared to 1062 as at the end of 2005.

To facilitate best banking practices the Group approved the Code of Ethics that applies to all employees. We believe that high ethical standards of each employee are inseparable part of corporate culture and are a key element for long lasting success of the Group. The crediting policy of the Group sticks to the objective that financing of projects that could be associated with unethical behavior or related to money laundering is not acceptable.

In the reporting year the Group, that seeks to be partner not only in business but also in social life, supported Lithuanian cultural activities, sports and selected organizations in local communities and on national level through sponsorship. The Group is the main sponsor of Kaunas Musical Theatre and a partner of National Philharmonics in Vilnius also sponsoring Thomas Mann music and poetry festival in Nida. The Bank is proud to be an official sponsor of national basketball team for more than four years.

In the reporting year the Bank joined the "Window to the Future" alliance which in March 2006 started implementation of the EU funded project on citizen training that is to provide computer literacy and internet fundamentals to 50,000 citizens of Lithuania. The partnership in the alliance that integrates private organizations and state institutions comes in line with the Group's social responsibility attitudes and emphasizes that it is proud to contribute to the development of the information society in Lithuania.

For its continuous innovation in the country's capital markets the Bank received a Euromoney award as the Best Debt House in Lithuania in 2006. During the reporting year the Bank placed LTL 268 million worth of bonds at par, the bulk of it being equity and commodity index linked notes primarily to private individuals. In the beginning of 2007 the first Corporate Finance transaction in cooperation with DnB NOR was completed when the Bank's specialists acted as exclusive financial advisors to Edda Media AS (former Orkla media) that signed share sale agreement of its holding in UAB Kauno Diena.

In the reporting year the Bank, that always pays prime attention to data security and business efficiency issues, has installed a new data backup centre which complies with the highest data protection standards and has upgraded infrastructure of the Bank's core information systems. The new data backup centre complies with the international standard ISO/IEC 17799 and lifts the data security and protection to the top quality level.

The spectrum of services offered by the Bank was enlarged through cooperation with its 100 percent owned subsidiaries.

The Bank's subsidiary UAB DnB NORD Lizingas that provides vehicle, equipment and real estate financing augmented its leasing portfolio by LTL 162.17 million or 51.0 percent to LTL 480.17 million over the reporting year and earned net profit of LTL 1.23 million. UAB DnB NORD Lizingas increased its local market share to 6.63 percent as at the end of 2006 from 6.09 percent at the end of 2005. The subsidiary has representative offices in Lithuania's largest towns and also in Kaliningrad city, Russian Federation.

UAB DnB NORD Investiciju Valdymas held 6.6 percent of local market in terms of second-pillar pension fund assets. In the reporting year the investments to its third-pillar pension fund grew by 145 percent to LTL 14.1 million, gaining 19.2 percent market share of third-pillar pension fund assets. All seven pension and investment funds under UAB DnB NORD Investiciju Valdymas management were profitable in the reporting year. Total assets under UAB DnB NORD Investiciju Valdymas management rose by LTL 51 million or 101 percent exceeding the LTL 100 million benchmark as at the end of 2006. The company's reported net profit for financial year 2006 was LTL 0.23 million.

On 28 November 2006 the Management Board of the Bank resolved to establish a subsidiary real estate brokerage company being the country's first financial institution to enter the growing market. The Bank will invest LTL 1 million into the authorized capital of the 100 percent owned subsidiary planned to begin operation in March 2007.

In the reporting year the Bank was not engaged in the Bank's share trading nor traded the stock of its subsidiaries. Notification on the Bank's compliance to the Corporate Governance Code approved by Vilnius stock exchange is provided in No 1 annex of the report.

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**DNB NORD BANKAS GROUP CONSOLIDATED 2006 ANNUAL REPORT (continued)**

On 12 May 2006, the Bank registered the new name of the Bank – AB DnB NORD Bankas – with the Register of Legal Entities in accordance to the resolution of Ordinary General Meeting of Shareholders held on 23 March, 2006. The names of the subsidiaries were also changed accordingly. The new name clearly reflects that the Group is a member of dynamic and reliable international DnB NORD banking group registered in Denmark that was established by Norway's largest bank DnB NOR and North Germany's largest bank NORD/LB. DnB NORD group had focused the activities of both founders in the Baltic rim countries by offering the whole range of modern and top quality financial services in Denmark, Finland, Estonia, Latvia, Lithuania, and Poland. The amended Bylaws of the Bank also reflected the decision of the shareholders meeting to increase the number of members in the Bank's Supervisory Council to seven from six and to reduce the number of members in the Management Board of the Bank to six from seven.

On 23 March, 2006, the Ordinary General Meeting of Shareholders elected the Supervisory Council of the Bank for the four year term (until 23 March 2010) of such composition: Sven Herlyn, Aasmund Skaar, Dr. Juergen Allerkamp, Antanas Zabulis, Viktoras Valentukevičius, Peter-Juergen Schmidt, and Torstein Hagen. A. Zabulis, V. Valentukevičius and P. J. Schmidt are considered to be independent members of the Bank's Supervisory Council. On the same day the Supervisory Council of the Bank elected Sven Herlyn as its chairman. The Supervisory Council also re-elected the Management Board of the Bank of the following composition for the four year term: Werner Heinz Schilli, Dr. Vyngintas Bubnys, Rudolf Franz Karges, Alditas Saulius and Gundars Andžans. The Management Board of the Bank elected W. H. Schilli as the Chairman of the Management Board and appointed him to carry on his duty as the President of the Bank from 23 March 2006. The term of the Management Board expires on 23 March, 2010. On 23 November, 2006, the Supervisory Council of the Bank elected Dr. Jekaterina Titarenko and Sigitas Žutautas to the Bank's Management Board to carry out their duties as members of the Bank's Management Board from 1 January 2007. Dr. J. Titarenko replaced Rudolf Franz Karges on the Management Board. Rudolf Franz Karges left the Bank to focus on his duties of the chief financial officer and Management Board member of the sister bank DnB NORD Banka in Latvia. Information regarding professional qualification and management competence of members of the Supervisory Council and the Management Board of the Bank is provided in No 2 annex to this report.

During the year 2006 four meetings of the Bank's Audit Committee were held and all its members were present at the meetings. The Bank's Audit Committee is established by the Supervisory Council of the Bank. It consists of three members. Until March 28, 2006 the members of the Audit Committee were Dr. Gunter Dunkel (the chairman), Peter – Juergen Schmidt and Sven Herlyn. As of March 28, 2006 the members of the Audit Committee are Sven Herlyn (the chairman), Peter-Juergen Schmidt and Tony Samuelsen. The main activities of the Audit Committee are supervision of functioning of the internal control system of the Bank, approval of the annual audit plan for the Internal Audit Department and supervision of the audit process, review of the conclusions and recommendations of the external auditor with regard to the auditing procedure and accounting policy, determination of the risk areas of the Bank's operations to be audited by the Internal Audit Department and by the external auditor, supervision of compliance of the Bank's performance with the laws and regulations, Bylaws of the Bank and the strategy and operating policy of the Bank.

To further strengthen capital base and ensure balanced growth, the Bank raised its authorized capital twice in the reporting year. The first increase of the Bank's authorized capital by LTL 49.29 million to LTL 283.4 million from LTL 234.11 million was registered on 12 May reflecting the resolution of the Ordinary General Meeting of Shareholders held on 23 March, 2006. The increase was made from retained earnings by increasing the nominal value of the outstanding shares to LTL 115 from LTL 95. On 20 October 2006 the amended Bylaws of the Bank were registered with the Register of Legal Entities providing that the authorized capital of the Bank has been increased to LTL 311.7 million following the placement of a new share issue from additional contributions. During the share issue, the issue price of each share was set at LTL 350 and LTL 86.25 million were raised for the allotted new shares of the Bank. On 11 December 2006 the Extraordinary General Meeting of Shareholders of the Bank resolved to increase the authorized capital of the Bank up to LTL 363,691,755 through additional contributions of the Bank's shareholders. The number of shares to be issued was set at 451,791 items and the minimum price of the share issue was set at LTL 164,903,715.

As at the end of the reporting year, the authorized capital of the Bank was LTL 311,735,790 that was divided into 2,710,746 ordinary registered shares with LTL 115 par value each. As at the end of 2006, Bank DnB NORD A/S (Denmark) held 93.13 percent of the Bank's shares, Skandinaviska Enskilda Banken AB acting as a custodian for East Capital Asset Management - 6.41 percent and other minority shareholders - 0.46 percent.



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**DNB NORD BANKAS GROUP CONSOLIDATED 2006 ANNUAL REPORT (continued)**

The Bank's progress in the reporting year has been recognized by Fitch Ratings, the international rating agency, which on 21 December 2006 upgraded the Bank's Issuer Default rating to 'A' from 'A-' (A minus) and Short-term rating to 'F1' from 'F2', granting Stable outlook. The rating assigned to the Bank now matches the sovereign rating of Lithuanian Republic.

We believe that the Group's performance in the reporting year gives us solid ground to extend the success into 2007. Our goal is to maintain strong position in corporate and investment banking and to focus on service quality, service culture and service speed while offering individually tailored simple and efficient solutions to our individual customers and small and medium enterprises. For 2007 the Group intends to achieve growth of its net profit in line of about 50 percent compared to 2006 result, the estimate based on an assumption that neither positive nor negative changes will materially affect the country's banking and financial markets.

On behalf of the Management Board of the Bank I would like to thank all customers, employees and shareholders for confidence, good cooperation and dedication for our common goal - to become the most dynamic financial institution in Lithuania.

On behalf of the Management Board

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

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Annex 1

**Disclosure regarding the compliance by the AB DnB NORD Bankas with the Governance Code for the companies listed on the regulated market**

AB DnB NORD Bankas (hereinafter referred to as “the Bank”, “the Company” or “the Issuer”), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p><b>Principle I: Basic Provisions</b></p> <p><b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b></p>		
<p>1.1. A company should adopt and make public the company’s development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p>Yes</p>	<p>The Bank adopts and annually updates the Strategy of the Bank. The provisions of the Strategy, which do not contain confidential information, are published on the Bank’s website, annual report, annual prospectuses.</p>
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	
<p><b>Principle II: The corporate governance framework</b></p> <p><b>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.</b></p>		
<p>2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders’ meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.</p>	<p>Yes</p>	

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**Disclosure regarding the compliance by the AB DnB NORD Bankas with the Governance Code for the companies listed on the regulated market (continued)**

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both the Supervisory Council and the Management Board are elected in the Bank.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Management Board consists of 6 (six) members and the Supervisory Council – of 7 (seven) members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Supervisory Council is elected for the term of 4 (four) years. The Bylaws and practice of the Bank does not prohibit a re-election of the members of the Supervisory Council for a new term.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	

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<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p><b>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.</b></p>		
<p>3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	Yes	
<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	Yes	
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	Yes	
<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	Yes	

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**Disclosure regarding the compliance by the AB DnB NORD Bankas with the Governance Code for the companies listed on the regulated market (continued)**

<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>	<p>Yes</p>	<p>The Bank considers Mr. Antanas Zabulis, Mr. Viktoras Valentukevičius and Mr. Peter-Juergen Schmidt by as independent members of the Supervisory Council.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> </ol>	<p>Yes</p>	

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

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



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

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

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<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:</p> <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>No</p>	<p>The Nomination committee is not established in the Bank.</p>
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<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>• Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>• Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>• Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• 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.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>	<p>No</p>	<p>The Remuneration committee is not established in the Bank.</p>
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<p>4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following:</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• 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;</li> <li>• 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;</li> <li>• Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>• 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;</li> <li>• Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ul>	<p>Yes</p>	
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<p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
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<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>There was no practice in the Bank regarding the activity assessment of the Supervisory Council and/or disclosure of the respective information as the legal acts did not imply such a requirement. The Bank plans to implement this requirement during the year 2007.</p>
<p><b>Principle V: The working procedure of the company's collegial bodies</b></p> <p><b>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.</b></p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	<p>Yes</p>	
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.</p>	<p>Yes</p>	
<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	<p>Yes</p>	

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<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-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.</p>	<p>Yes</p>	
<p><b>Principle VI: The equitable treatment of shareholders and shareholder rights</b></p> <p><b>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.</b></p>		
<p>6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.</p>	<p>Yes</p>	
<p>6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.</p>	<p>Yes</p>	
<p>6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.</p>	<p>No</p>	<p>Pursuant to the Law on Stock Companies and the Bylaws of the Bank the approval of transactions indicated in this item is attached to the competence of the Management Board. According to the internal regulations of the Bank significant transactions shall also be approved by the Supervisory Council.</p>
<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	<p>Yes</p>	



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<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>No</p>	<p>According to the item 23.4 of the rules of Vilnius Stock Exchange (VSE) the issuer is obliged to publish draft resolutions of the forthcoming general meeting of shareholders through the information disclosure system of VSE not later than at the day when the shareholders of the issuer are being granted with possibility to familiarize themselves with the draft resolutions hereof. The issuer is obliged to announce about decisions passed in the general (or repeated) meeting of shareholders of the issuer through the information disclosure system of VSE. The information disclosed in the information disclosure system of VSE is publicly available therefore it was not relevant to place the same information on the website of the Bank.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	
<p>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.</p>	<p>No</p>	<p>Taking into consideration the structure of shareholders of the Bank and settled procedure of the meetings of shareholders of the Bank there is no need to implement measures indicated in this item. Moreover, the expenses required for the implementation of such measures would be not adequate to the expected benefits.</p>
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p> <p><b>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.</b></p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	

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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	
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>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.</b></p>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Bank does not make public statements of the Bank's remuneration policy. The remuneration policy has not been approved in the Bank, since there is no such requirement in the legal acts. Bonuses received by the members of the Supervisory Council are being established by the meeting of shareholders of the Bank and the remuneration of the members of the Management Board, holding other offices in the Bank, are being established by the Management Board subject to coordination hereof with the Supervisory Council. Therefore there was no need to approve the separate remuneration policy. Notwithstanding, the Bank (following the requirements of the legal acts) publishes the concrete remuneration of the members of the Supervisory Council as well as the members of the Management Board – heads of administration in the prospectuses prepared and published by the Bank.

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<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	<p>No</p>	<p>Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared.</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ul>	<p>No</p>	<p>Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared.</p>
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	<p>No</p>	<p>Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared, but notwithstanding the information on termination payments indicated in item 8.4 is provided for in the prospectuses published by the Bank.</p>
<p>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.</p>	<p>No</p>	<p>Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy.</p>
<p>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.</p>	<p>No</p>	<p>Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared.</p>

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**Disclosure regarding the compliance by the AB DnB NORD Bankas with the Governance Code for the companies listed on the regulated market (continued)**

<p>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.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul>	<p>No</p>	<p>Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared. Notwithstanding, the Bank (following the requirements of the legal acts) publishes the concrete remuneration of the members of the Supervisory Council as well as the members of the Management Board – heads of administration in the prospectuses prepared and published by the Bank.</p>
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<p>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.</p>		
<p>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.</p>	<p>Not applicable</p>	<p>The Bank does not apply schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements.</p>
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• 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.</li> </ul>		
<p>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.</p>		
<p>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.</p>		

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<p>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.</p>		
<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>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.</b></p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Bank complies with all requirements of legal acts regarding rights of the stakeholders to participate in the corporate governance of the Bank, however no group of stakeholders, entitled according to the laws to participate in the corporate governance of the Bank, has implemented its rights according to the procedures set in the laws.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

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**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:
- The financial and operating results of the company;
  - Company objectives;
  - Persons holding by the right of ownership or in control of a block of shares in the company;
  - Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;
  - Material foreseeable risk factors;
  - Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;
  - Material issues regarding employees and other stakeholders;
  - Governance structures and strategy.

This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.

10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.

10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.

Yes

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10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	No	All the information indicated in this item is published on the website of the Bank, except for the changes in the price of the Bank's shares on the Stock Exchange, since this information is published on the website of the Vilnius Stock Exchange and is accessible by every interested person.
<p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	



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Annex 2

**TABLE. Information regarding professional qualification and management competence of members of the Supervisory Council and the Management Board of the Bank**

<b>Name</b>	<b>Position</b>	<b>Education</b>	<b>Information about management competence and experience</b>
Sven Herlyn	Chairman of the Supervisory Council	University Hamburg, MBA	Berliner Bank AG (1991 – 1998) Norddeutsche Landesbank Girozentrale (1998-2006); Executive Vice-president, Norddeutsche Landesbank Girozentrale; Chief Executive Officer, Bank DnB NORD/AS (since 2006).
Aasmund Skaar	Vice-chairman of the Supervisory Council	Norwegian School of Economics and Business Administration, MBA	Bank Manager, Sparebanken NOR (1996-1997); Managing Director, Sparebanken NOR/Gjensidige NOR (1997-2001); Group Director, Gjensidige NOR (2001-2003); Vice-president, DnB NOR Group.
Dr. Juergen Allerkamp (Jürgen Allerkamp)	Member of the Supervisory Council	Universities of Göttingen, Münster, Lausanne (CH), Bonn, Doctor of Law, lawyer	Manager of the Legal unit, Westdeutsche Landesbank (1989-1991); Member of the Management Board, Kreissparkasse Dresden (1991-1997); Member of the Management Board, Norddeutsche Landesbank Girozentrale, (since 1997).
Peter – Juergen Schmidt (Peter-Jürgen Schmidt)	Member of the Supervisory Council	University Hamburg, MBA	Partner, Deloitte & Touche, Hanover (1987-1998); Member of the Supervisory Council, DnB NORD bank AS; Member of the Supervisory Council, Bank DnB NORD.
Viktoras Valentukevičius	Member of the Supervisory Council	Institute of International relations, Vilnius University, diplomacy studies; Vilnius University, economist	Vice-minister, Ministry of Energy of RoL (1994 – 1996); Vice-minister, Ministry of Economy (1997 – 2000); Finance Director, AB Lietuvos Dujos (2000 – 2002); General Manager, AB Lietuvos dujos (since 2002)
Antanas Juozas Zabulis	Member of the Supervisory Council	Bossard University, Paris, international manager; International Business School, Vilnius University, manager; Vilnius University, physicist	Business development manager, UAB Statoil Lietuva (1994 – 1995); General manager, UAB Statoil Lietuva (1995 – 1997) Development manager for the Baltic States, General Manager for Lithuania, Statoil Baltics (1997 – 1999) Chief advisor, Statoil oljeselskap, HQ, Department of International Trade (1999 – 2000); President, UAB Omnitel (since 2000)

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**TABLE. Information regarding professional qualification and management competence of members of the Supervisory Council and the Management Board of the Bank (continued)**

Torstein Hagen	Member of the Supervisory Council	Oslo School of Business and Economics, BMA; University of South Florida, MBA	Various positions at DnB NOR (1994-2000); consultant, NTNA INTERNATIONAL MGMT (2000-2002); representative, NORD/LB (2002-2005); Chief Credit Officer, DnB NORD (since 2005)
Werner Heinz Schilli	Chairman of the Management Board, president	Institute for Municipal Savings Banks and Credit Basis, Bonn, Diploma in Savings Banks Business Management	Chairman of the Management Board, Savings Bank in Frankfurt/Oder (1991-2001); Freelance consultant for savings banks and Savings banks association (2001-2002) Member of the Management Board, AB Bankas NORD/LB Lietuva (2002-2005)
Dr. Vyintas Bubnys	Vice-chairman of the Management Board, Executive Vice-president	Vilnius University, PhD, economist - mathematician,	Chairman of the Management Board, AB Lietuvos Taupomasis Bankas (1991 – 1997); Advisor, Deputy Manager, Manager, FBC Balticum Management (1997-2000); Advisor to the Chairman of the Management Board, AB Lietuvos Žemės Ūkio Bankas, (2000-2002)
Gundars Andžans	Member of the Management Board, Head of the Division	Riga Technical University, Dipl.-Eng-Mathematician	Director, Central and Western Europe Region, UAB DATI, Riga (since 2002); General Manager SIA DATISENS, Riga, (2000-2003); project manager, UAB DATI, Riga (1995-2000); Member of the Management Board, DnB NORD Banka (Latvia),
Dr. Jekaterina Titarenko	Member of the Management Board, Executive Vice-president	Vilnius University, PhD in Economics; VU, Bachelor's and master's degree (banking)	Economist, chief economist, On-site Examination Division, Credit Institutions Supervision department, Bank of Lithuania (1995-2001); Head of the sub-unit of the Bank Financial Activity Analysis, Unit of Assessment of Financial activities, Credit Institutions Supervision department, Bank of Lithuania (2001-2002); Deputy Head of the Unit of Assessment of Financial Activities, Bank of Lithuania (2002-2003); Manager, the Financial Risk Department, AB DnB NORD Bankas, (2003-2006).

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**TABLE. Information regarding professional qualification and management competence of members of the Supervisory Council and the Management Board of the Bank (continued)**

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

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

**THE GROUP AND BANK INCOME STATEMENT**

	Notes	Year ended			
		31 December 2006		31 December 2005	
		Group	Bank	Group	Bank
Interest income		296,361	283,846	179,956	171,326
Interest expense		(135,684)	(130,031)	(68,518)	(64,179)
<b>Net interest income</b>	1	160,677	153,815	111,438	107,147
Fee and commission income	2	59,814	55,288	48,803	46,616
Fee and commission expense	2	(12,820)	(12,785)	(10,558)	(10,528)
<b>Net interest, fee and commission income</b>		207,671	196,318	149,683	143,235
Net gain on operations with securities and derivative financial instruments	3	1,323	3,299	1,315	1,313
Net foreign exchange gain		11,157	11,147	6,443	6,399
Impairment losses on loans and provisions	4	(9,991)	(8,607)	(3,583)	(4,011)
Other income	5	4,669	4,664	9,062	8,595
Administrative and other operating expenses	6	(146,610)	(138,265)	(120,383)	(114,348)
<b>Profit before income tax</b>		68,219	68,556	42,537	41,183
Income tax	7	(12,535)	(12,338)	1,671	1,857
<b>Net profit for the year</b>		55,684	56,218	44,208	43,040
<b>Earnings per share (in LTL per share)</b>					
Basic	8	22.15		20.25	
Diluted	8	22.15		20.25	

The accounting policies and notes on pages 41 to 84 are an integral part of these financial statements.

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

**THE GROUP AND BANK BALANCE SHEET**

	Notes	31 December 2006		31 December 2005	
		Group	Bank	Group	Bank
<b>ASSETS</b>					
Cash and balances with central banks	9	352,032	352,029	339,610	339,604
Due from other banks and financial institutions	10	328,425	638,768	234,862	456,570
Trading securities	11	24,150	24,150	62,776	62,776
Derivative financial instruments	12	32,490	32,490	2,011	2,011
Loans	13	5,818,144	5,818,144	3,749,607	3,749,607
Finance lease receivables	14	480,173	-	317,998	-
Securities available-for-sale	15	536,276	530,393	258,630	257,623
Securities held-to-maturity	15	-	-	143,512	143,512
Investments in subsidiaries	16	-	6,200	-	6,200
Intangible assets	17	7,096	6,806	3,915	3,778
Property, plant and equipment	18	108,560	93,652	98,109	88,496
Deferred tax asset	7	660	-	8,178	8,000
Other assets	19	47,380	7,369	37,927	10,664
<b>Total assets</b>		<b>7,735,386</b>	<b>7,510,001</b>	<b>5,257,135</b>	<b>5,128,841</b>
<b>LIABILITIES</b>					
Due to other banks and financial institutions	20	3,396,780	3,190,691	1,684,074	1,583,203
Derivative financial instruments	12	2,479	2,479	337	337
Due to customers	21	3,028,964	3,028,964	2,624,625	2,624,625
Debt securities in issue	22	547,338	547,338	440,814	440,814
Special and lending funds		9,890	9,890	12,659	12,659
Other liabilities	23	73,421	56,420	63,791	39,019
Current income tax liabilities	7	4,511	4,037	323	42
Deferred income tax liabilities	7	271	271	-	-
Subordinated loans	24	199,054	199,054	99,658	99,658
<b>Total liabilities</b>		<b>7,262,708</b>	<b>7,039,144</b>	<b>4,926,281</b>	<b>4,800,357</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	25	404,536	404,536	268,999	268,999
Retained earnings		63,637	61,952	60,146	57,840
Other reserves	26	4,505	4,369	1,709	1,645
<b>Total shareholders equity</b>		<b>472,678</b>	<b>470,857</b>	<b>330,854</b>	<b>328,484</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,735,386</b>	<b>7,510,001</b>	<b>5,257,135</b>	<b>5,128,841</b>

These Financial Statements were signed on 20 February 2007:

\_\_\_\_\_  
W. Schilli  
President

\_\_\_\_\_  
J. Šaučiūnienė  
Chief Accountant

The accounting policies and notes on pages 41 to 84 are an integral part of these financial statements.

**AB DNB NORD BANKAS  
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(all amounts are in LTL thousand, if not otherwise stated)

**GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Ordinary shares	Share premium	Property, plant and equipment revaluation reserve	Financial assets revaluation reserve	Mandato- ry reserve	Retained earnings	Total
<b>Balance at 31 December 2004</b>	<b>195,117</b>	<b>-</b>	<b>1,338</b>	<b>343</b>	<b>39</b>	<b>16,436</b>	<b>213,273</b>
Net changes in available for sale securities revaluation, net of tax	-	-	-	(509)	-	-	(509)
Net profit for the year	-	-	-	-	-	44,208	44,208
Total recognised income and expense	-	-	-	(509)	-	44,208	43,699
Increase of share capital	38,993	34,889	-	-	-	-	73,882
Transfer to mandatory reserve	-	-	-	-	853	(853)	-
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated	-	-	(355)	-	-	355	-
<b>Balance at 31 December 2005</b>	<b>234,110</b>	<b>34,889</b>	<b>983</b>	<b>(166)</b>	<b>892</b>	<b>60,146</b>	<b>330,854</b>
Net changes in available for sale securities revaluation, net of tax	-	-	-	(111)	-	-	(111)
Net profit for the year	-	-	-	-	-	55,684	55,684
Total recognised income and expense	-	-	-	(111)	-	55,684	55,573
Increase of share capital (by increasing the par value per share)	49,286	-	-	-	-	(49,286)	-
Increase of share capital (by issuing ordinary registered shares)	28,340	57,911	-	-	-	-	86,251
Transfer to mandatory reserve	-	-	-	-	2,983	(2,983)	-
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated	-	-	(76)	-	-	76	-
<b>Balance at 31 December 2006</b>	<b>311,736</b>	<b>92,800</b>	<b>907</b>	<b>(277)</b>	<b>3,875</b>	<b>63,637</b>	<b>472,678</b>

The accounting policies and notes on pages 41 to 84 are an integral part of these financial statements.

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**BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Ordinary shares	Share premium	Property, plant and equipment revaluation reserve	Financial assets revaluation reserve	Mandato ry reserve	Retained earnings	Total
<b>Balance at 31 December 2004</b>	<b>195,117</b>	<b>-</b>	<b>1,338</b>	<b>316</b>	<b>-</b>	<b>15,298</b>	<b>212,069</b>
Net changes in available for sale securities revaluation, net of tax	-	-	-	(507)	-	-	(507)
Net profit for the year	-	-	-	-	-	43,040	43,040
Total recognised income and expense	-	-	-	(507)	-	43,040	42,533
Increase of share capital	38,993	34,889	-	-	-	-	73,882
Transfer to mandatory reserve	-	-	-	-	853	(853)	-
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated	-	-	(355)	-	-	355	-
<b>Balance at 31 December 2005</b>	<b>234,110</b>	<b>34,889</b>	<b>983</b>	<b>(191)</b>	<b>853</b>	<b>57,840</b>	<b>328,484</b>
Net changes in available for sale securities revaluation, net of tax	-	-	-	(96)	-	-	(96)
Net profit for the year	-	-	-	-	-	56,218	56,218
Total recognised income and expense	-	-	-	(96)	-	56,218	56,122
Increase of share capital (by increasing the par value per share)	49,286	-	-	-	-	(49,286)	-
Increase of share capital (by issuing ordinary registered shares)	28,340	57,911	-	-	-	-	86,251
Transfer to mandatory reserve	-	-	-	-	2,896	(2,896)	-
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated	-	-	(76)	-	-	76	-
<b>Balance at 31 December 2006</b>	<b>311,736</b>	<b>92,800</b>	<b>907</b>	<b>(287)</b>	<b>3,749</b>	<b>61,952</b>	<b>470,857</b>

The accounting policies and notes on pages 41 to 84 are an integral part of these financial statements.

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**THE GROUP AND BANK CASH FLOW STATEMENT**

	Notes	Year ended			
		31 December 2006		31 December 2005	
		Group	Bank	Group	Bank
<b>Operating activities</b>					
Receipt (payments)					
Interest receipt		274,367	261,587	166,788	158,864
Interest payments		(87,648)	(84,009)	(49,625)	(44,774)
Collected previously written-off loans		9,511	9,511	10,632	10,632
Net receipt from operations in foreign currency		5,031	5,016	5,398	5,366
Net receipt from operations in securities		3,406	3,378	1,764	1,764
Fee and commission receipt		59,814	55,288	48,803	46,616
Fee and commission payments		(12,820)	(12,785)	(10,558)	(10,528)
Salaries and related payments		(58,086)	(55,596)	(49,475)	(47,459)
Other payments		(67,085)	(64,747)	(47,093)	(46,045)
Net cash flow from operating profits before changes in operating assets and liabilities		126,490	117,623	76,634	74,436
(Increase) decrease in operating assets					
Decrease in mandatory reserves with the central bank		-	-	51,820	51,820
(Increase) decrease in loans to credit and financial institutions		(80,352)	(168,491)	224,367	63,194
(Increase) in loans granted		(2,079,776)	(2,079,776)	(1,287,199)	(1,287,532)
Purchase of trading securities		(119,099)	(119,099)	(237,275)	(237,275)
Proceeds from trading securities		147,711	147,711	314,795	314,795
(Increase) decrease in other short-term assets		(175,175)	668	(123,984)	(631)
Change in operating assets		(2,306,691)	(2,218,987)	(1,057,476)	(1,095,629)
Increase in liabilities					
Increase in liabilities to credit and financial institutions		1,694,885	1,591,618	616,132	672,200
Increase in deposits		400,185	400,185	657,136	657,136
Increase in other liabilities		1,392	8,775	30,179	11,964
Change in liabilities		2,096,462	2,000,578	1,303,447	1,341,300
<b>Net cash flow from operating activities before income tax</b>		<b>(83,739)</b>	<b>(100,786)</b>	<b>322,605</b>	<b>320,107</b>
<b>Income tax paid</b>		<b>(461)</b>	<b>(62)</b>	<b>(122)</b>	<b>-</b>
<b>Net cash flow from operating activities</b>		<b>(84,200)</b>	<b>(100,848)</b>	<b>322,483</b>	<b>320,107</b>
<b>Investing activities</b>					
Acquisition of property, equipment and intangible assets		(29,365)	(18,695)	(7,351)	(4,491)
Disposal of property, plant, equipment and intangible assets		2,541	1,664	3,578	3,466
Purchase of held to maturity securities		-	-	(45,833)	(45,833)
Proceeds from held to maturity securities		-	-	11,668	11,668
Purchase of available for sale securities		(537,708)	(507,514)	(321,656)	(324,304)
Proceeds from available for sale securities		394,417	369,079	164,699	167,182
Dividends received		1	2,001	-	-
Interest received		25,499	25,501	8,599	8,562
<b>Net cash flow from investing activities</b>		<b>(144,615)</b>	<b>(127,964)</b>	<b>(186,296)</b>	<b>(183,750)</b>
<b>Financing activities</b>					
Own debt securities redemption		(172,640)	(172,640)	-	-
Own debt securities issued		254,128	254,128	43,856	43,683
Increase in share capital		86,251	86,251	73,882	73,882
Received subordinated loans		98,405	98,405	8,632	8,632
Interest paid		(20,904)	(20,904)	(13,444)	(13,446)
<b>Net cash flow from financing activities</b>		<b>245,240</b>	<b>245,240</b>	<b>112,926</b>	<b>112,751</b>
<b>Net increase in cash and cash equivalents</b>		<b>16,425</b>	<b>16,428</b>	<b>249,113</b>	<b>249,108</b>
Cash and cash equivalents at beginning of year		489,590	489,584	240,477	240,476
<b>Cash and cash equivalents at 31 December</b>	29	<b>506,015</b>	<b>506,012</b>	<b>489,590</b>	<b>489,584</b>

The accounting policies and notes on pages 41 to 84 are an integral part of these financial statements.



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**GENERAL BACKGROUND**

The name of AB DnB NORD bankas was registered on May 12, 2006 after the Bank's previous name AB bankas NORD/LB Lietuva was changed (this name was registered after the name AB „Lietuvos žemės ūkio bankas“ was changed). The Bank as a joint stock company was registered at the Enterprise Register of the Republic of Lithuania on September 13, 1993. The Bank possesses a license issued by the Bank of Lithuania, which entitles to provide financial services established in the Law of the Republic of Lithuania on Banks and the Law of the Republic of Lithuania on Financial Institutions.

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

As at 31 December 2006 the Bank owned the following subsidiaries:

- UAB DnB NORD Lizingas (finance and operating leasing activities),
- UAB DnB NORD Investicijų Valdymas (investment management activities).

As at 31 December 2006 the Bank owned 100% of the share capital of the UAB DnB NORD Lizingas and UAB DnB NORD Investicijų valdymas. Bank is the sole shareholder of these companies from their establishment.

The head offices of the Bank and subsidiary UAB DnB NORD Investicijų Valdymas are located in Vilnius, Basanavičiaus str. 26, the head office of UAB DnB NORD Lizingas is located in Vilnius, Žalgirio str. 92. At the end of the reporting period the Bank had 78 client service outlets, of which 15 customer service branches and 63 customer service subbranches (2005: 85 client service outlets). As at 31 December 2006 the Bank had 1,044 employees (2005: 1,030). As at 31 December 2006 the Group had 1,086 employees (2005: 1,062).

As at 31 December 2006 2,710,746 number of the ordinary registered Bank's shares are involved in the Current trading List of Vilnius Stock Exchange. As disclosed in Note 25, *Share capital*, Bank DnB NORD A/S (DK) is the single largest shareholder holding 93.13% of the Bank's shares. The Bank DnB NORD, registered in Denmark, is a joint venture of the Norwegian largest Bank DnB NOR (51%) and the German Bank Norddeutsche Landesbank (NORD/LB)( 49% ).

**ACCOUNTING POLICIES**

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

**Basis of preparation**

The financial statements of the Group and the Bank are prepared in accordance with International Financial Reporting Standards as adopted for use in European Union. The financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative financial instruments.

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

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the parent Bank. Such format of reporting was adopted to ensure consistency of presentation with the format prescribed by the Bank of Lithuania and applied for statutory reporting.

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

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**ACCOUNTING POLICIES (continued)**

Standards, amendments and interpretations that have been published and are effective in 2006:

- IAS 19 Amendment, Actuarial gains and losses, Group plans and disclosures (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IAS 39 Amendment, The fair value option (effective for annual periods beginning on or after 1 January 2006). The amendment do not have any impact on classification of the Group financial instruments.
- IAS 21 Amendment, Net investment in a foreign operation (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IAS 39 Amendment, Cash flow hedge accounting of forecast intragroup transactions (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IAS 39 and IFRS 4 Amendment, Financial guarantee contracts (effective for annual periods beginning on or after 1 January 2006). This amendment is not relevant to the Group.
- IFRS 6, Exploration for and Evaluation of Mineral resources (effective for annual periods beginning on or after 1 January 2006). This standart is not relevant to the Group.
- IFRS 1 Amendment, First time Adoption of International Financial Reporting Standarts, and IFRS 6 amendment, Exploration for and Evaluation of Mineral resources (effective for annual periods beginning on or after 1 January 2006). These amendments are not relevant to the Group.
- IFRIC 4, Determining whether an arrangement contains a lease (effective for annual periods beginning on or after 1 January 2006). The Group has reviewed the contracts, but the amendment don't have any impact.
- IFRIC 5, Rights to Interests arising from Decommissioning, restoration and environmental rehabilitation funds (effective for annual periods beginning on or after 1 January 2006). This interpretation is not relevant to the Group.
- IFRIC 6, Liabilities arising from participating in a specific market – waste electrical and electronic equipment (effective for annual periods beginning on or after 1 December 2005). This interpretation is not relevant to the Group.

Standards, amendments and interpretations that have been published but as of 31 12 2006 are not yet effective and have not been early adopted by the Group:

- IFRS 7, Financial Instruments: disclosure (effective for annual periods beginning on or after January 2007), and the complementary Amendments to IAS 1, Presentation of Financial Statements – Capital disclosure were not applied in the Group for 2006. The Group will apply the standards for annual period beginning on 1 January 2007.
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). As none of the Group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group.
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 may 2006). The Group will apply IFRIC 8 from January 2007, but this interpretation is not relevant to the Group.
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). As none of the Group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations.
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). The Group will apply this interpretation from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.
- IFRIC 11, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This interpretation is not relevant to the Group.
- IFRIC 12 Service Concession Arrangements(effective for annual periods beginning on or after 1 January 2008). This interpretation is not relevant to the Group.

**Critical accounting estimates**

Impairment losses on loans

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

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

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**ACCOUNTING POLICIES (continued)**

*Fair values of index-linked bonds*

An embedded option-based derivative is separated from its host contract on the basis of the stated terms of the option feature. The fair values of embedded derivatives are determined using observable market data. The fair values of bond element are determined using observable market date, however certain areas such as credit risk require management to make estimates. Changes in assumptions about these factors could affect reported fair value of the instrument at the initial recognition.

**Consolidation**

**Subsidiaries**

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

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

**Foreign currency translation**

All monetary assets and liabilities denominated in foreign currencies are translated into Lithuanian litas (LTL) at the official rate of the Bank of Lithuania prevailing at the reporting period end. Gains and losses arising from this translation are included in the income statement for the period. All non-monetary items are translated at historical rates.

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

**Day one profit recognition**

The Group has issued index linked bonds where fair value of the embedded derivative and host contract is determined by comparison with observable current market transactions in the same instrument. The difference between the fair values and transaction price is deferred during the lifetime of index linked bonds or until they are redeemed, that is recognition of 'day one profit and loss'.

**Recognition of income and expenses**

Interest income and expense are recognised in the income statement on an accrual basis using the effective yield method based on the actual purchase price. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that 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 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

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**ACCOUNTING POLICIES (continued)**

fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees, certain taxes and other similar income and expenses are recognised as gained or incurred.

**Dividend income**

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

**Taxation**

Income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 19% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation. Income tax rate valid for 2005 was 15%.

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

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

The principal temporary differences arise from tax losses carried forward.

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

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

Deferred tax related to fair value re-measurement of available-for-sale investments which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

Other taxes

Road tax of 1%, valid until 30 June 2005, is imposed on income from interest margin and on income on other services. Real estate tax rate is 1% on the tax value of property and foreclosed assets. These taxes are included in other expenses in the income statement.

**Cash and cash equivalents**

Cash and cash equivalents comprise the cash, other valuables, correspondent bank account balances, correspondent account and one night deposits with the Bank of Lithuania and short-term treasury bills with the maturity term of less than three months.

**Financial assets**

Financial assets are classified into 4 groups: financial assets at fair value through profit and loss (the Group and the Bank has the only one sub-category here – held for trading), investments held to maturity, loans and receivables, financial assets available for sale.

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**ACCOUNTING POLICIES (continued)**

**Trading securities**

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

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

**Derivative financial instruments**

Derivative financial instruments including foreign exchange forwards, swaps, options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at their fair value on the date on which a derivative contract is entered into. Fair values are obtained from quoted market prices 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.

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

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

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

Fair values of the derivative financial instruments are disclosed in Note 12.

**Securities available for sale and held to maturity**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Management determines the appropriate classification of its investments at the time of the purchase.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value plus transactions costs and subsequently are measured at amortised cost using the effective yield method, less any provision for impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Interest earned whilst holding securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is received.

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

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

**ACCOUNTING POLICIES (continued)**

**Reverse repurchase agreements**

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

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

**Loans**

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

**Impairment losses on loans, held to maturity investments, available for sale assets and provisions for other assets**

Losses on loan and held to maturity investment impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

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

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

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

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

**Intangible assets**

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

**Property, plant and equipment**

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher

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**ACCOUNTING POLICIES (continued)**

of the asset's fair value less costs to sell and value in use. Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are charged to the income statement.

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

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

**Leases**

*Group company is the lessee*

The leases entered by the Group are operating lease. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease.

*Group company is the lessor*

Operating leases

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

Finance leases

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

**Assets / funds under management and related liabilities**

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

**Borrowings**

Borrowings (including debt securities issued) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method. Borrowings are recognised on the day of settlement.

**Employee benefits**

Social security contributions

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

Termination benefits

Termination benefits are payable when an employee's employment is terminated on initiative of employer or the employment is terminated by mutual employee's and employer's agreement. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of

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**ACCOUNTING POLICIES (continued)**

withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within staff costs in the income statement and within other liabilities in the balance sheet.

**Segment reporting**

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

**Provisions**

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

**Financial guarantee contracts**

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

**Share issue costs**

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

**Transfers between elements of shareholders equity**

Transfers from property, plant and equipment revaluation reserve to retained earnings are performed when related asset is fully depreciated or sold. All transfers to retained earnings are made only after the approval of the shareholders.

**Fiduciary activities**

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

**Fair value of assets and liabilities**

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis.

**Offsetting financial instruments**

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



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**FINANCIAL RISK MANAGEMENT**

**Strategy in using financial instruments**

The Bank's and the Group's activities are principally related to the use of financial instruments including derivatives. The Bank and the Group accepts deposits from customers and borrows from other financial institutions at both fixed and floating rates and for various periods of maturity and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank and the Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank and the Group also seeks to raise its interest margins by obtaining above average margins, net of impairment losses, through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances but also guarantees and other commitments, such as letters of credit and performance, and other bonds.

**Capital adequacy**

The capital adequacy ratio is calculated in accordance with the rules approved by the Bank of Lithuania, which are based on the Basel Committee recommendations (Basel I). The Bank of Lithuania requires local commercial banks to maintain a minimum capital adequacy ratio of 8%.

The capital adequacy ratios for the year 2006 are presented below (calculated based on the requirements for accounting in banks in Lithuania):

	<b>Group</b>					<b>Bank</b>
	<b>31 December 2006</b>	<b>31 December 2005</b>	<b>31 March 2006</b>	<b>30 June 2006</b>	<b>30 September 2006</b>	<b>31 December 2006</b>
Capital base	618,472	417,531	430,227	465,171	482,305	611,553
Risk weighted assets and off balance sheet items	6,415,278	3,910,959	4,649,490	5,299,896	5,726,947	6,169,065
Capital adequacy ratio	9.64	10.68	9.25	8.78	8.42	9.91

**Credit risk**

The Group takes on exposure to credit risk which is the risk that a counter party will be unable to repay the amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor or groups of debtors, and to the industry segments. Such risks are monitored on a rolling basis and are subject to an annual or more frequent review. The structures of loans and lessees by segment and type of assets are disclosed in Notes 13 and 14, respectively. Concentration of exposure are disclosed in Note 34.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to them, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused amount since most commitments are contingent upon customers maintaining specific credit standards.

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**FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk**

The Group is exposed to possible cash flows inconsistency risk arising out of usage of available cash resources for further objectives: repayment of overnight deposits, current accounts liabilities management, repayment of maturing deposits, granting committed loans, guarantees, to fulfil margin and other liabilities related to derivatives. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

Note 30 analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The Group's (Bank's) liabilities on demand exceed assets with similar duration, however, the Bank's liquidity ratio, calculated using the methodology approved by the Bank of Lithuania, is 34.99 %, the Group's liquidity ratio – 34.74 %. The Bank of Lithuania requires that the liquidity ratio should not be less than 30%. In the opinion of management of the Bank, the Group and Bank's liquidity is sufficient to meet its operating needs. Such risks are monitored on a rolling basis and are subject to annual or more frequent review. Liquidity risk is also assessed and managed according to the methodology, set by DnB NORD Group Asset and Liability Management Committee (ALCO). This risk is limited with the liquidity risk limits, approved by ALCO.

**Market risk**

Market risk – is the risk that the Bank incurs losses as a consequence of changes of market variables (interest rates, foreign exchange rates, stock prices). Methodology and limits of market risk assessment and management are approved by DnB NORD Group ALCO.

**Currency risk**

Upon normal business conditions the Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is the risk that the Bank incurs losses as a consequence of unfavorable changes in foreign exchange rates. For assessment of this risk open FX positions are used. Bank follows very conservative currency risk management policy. Currency risk is insignificant due to low volumes of open positions in foreign currencies. The Bank's exposure to foreign currency exchange rate risk is summarized in Note 31.

**Interest rate risk**

Upon normal business conditions the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is the risk that the Bank incurs losses as a consequence of unfavorable changes in interest rates. For assessment and management of this risk sensitivity to changes in interest rates is calculated and limited (1 bp value). Such risks are monitored on a rolling basis and are subject to annual or more frequent review. The Bank's exposure to interest rate risk is summarized in Note 32.

**Operational risk**

Upon normal business conditions operational risk exists in all Group activities. The Bank treats operational risk as the risk of loss resulting from inadequate or failed internal procedures, people and technology, or from external events. In 2004 the Management Board approved Operational Risk management policy, where minimum requirements for management and controlling of operational risk in the Bank, methodology of operational risk management, the management process and responsibility levels were defined. Now the Bank is further developing the philosophy of operational risk management and control system and implementing the system of operational risk management and control. Two operational risk management methods were implemented in 2006 – operational risk events and losses declaration and one of risk inventory methods – self assessment. Operational risk events and losses declaration allows historical data to be assessed, and information presented in self assessment questionnaires are used for assessment of potential risk. Operational risk in the Bank is managed by mitigating it, i.e. insuring, implementing internal control tools, investing, also outsourcing, i.e. buying services from third parties, and by making specific provisions for operational risk.

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**SEGMENT INFORMATION**

**Primary reporting format – business segments**

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

**Year ended 31 December 2006**

	<b>Banking</b>	<b>Leasing</b>	<b>Investment management</b>	<b>Eliminations</b>	<b>Group</b>
Internal	11,354	(10,085)	(432)	(837)	-
External	199,410	20,840	1,401	(1,500)	220,151
Net income from the main operations	210,764	10,755	969	(2,337)	220,151
Internal	(837)	(200)	(33)	1,070	-
External	(103,151)	(3,010)	(903)	(500)	(107,564)
Operating expenses	(103,988)	(3,210)	(936)	570	(107,564)
Depreciation and amortisation charges	(10,028)	(3,501)	(31)	-	(13,560)
Internal	233	-	-	(233)	-
External	(28,425)	(2,294)	(89)	-	(30,808)
Net other income (expenses)	(28,192)	(2,294)	(89)	(233)	(30,808)
Profit (loss) before tax	68,556	1,750	(87)	(2,000)	68,219
Income tax	(3,995)	(680)	-	-	(4,675)
Change of deferred tax	(8,343)	164	319	-	(7,860)
Net profit (loss)	56,218	1,234	232	(2,000)	55,684
Total assets	7,510,001	542,836	2,646	(320,097)	7,735,386
Total liabilities	7,039,144	537,056	405	(313,897)	7,262,708
Shareholders' equity	470,857	5,780	2,241	(6,200)	472,678
Capital additions	20,706	10,844	26	-	31,576

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**SEGMENT INFORMATION (Continued)**

**Year ended 31 December 2005**

	<b>Banking</b>	<b>Leasing</b>	<b>Investment management</b>	<b>Eliminations</b>	<b>Group</b>
Internal	4,551	(3,223)	(481)	(847)	-
External	146,783	10,042	785	218	157,828
Net income from the main operations	151,334	6,819	304	(629)	157,828
Internal	(847)	(215)	(23)	1,085	-
External	(81,202)	(2,239)	(686)	(218)	(84,345)
Operating expenses	(82,049)	(2,454)	(709)	867	(84,345)
Depreciation and amortisation charges	(12,039)	(2,375)	(7)	-	(14,421)
Internal	238	-	-	(238)	-
External	(16,301)	(30)	(89)	(105)	(16,525)
Net other income (expenses)	(16,063)	(30)	(89)	(343)	(16,525)
Profit (loss) before tax	41,183	1,960	(501)	(105)	42,537
Income tax	(42)	(281)	-	-	(323)
Change of deferred tax	1,899	95	-	-	1,994
Net profit (loss)	43,040	1,774	(501)	(105)	44,208
Total assets	5,128,841	357,002	2,291	(230,999)	5,257,135
Total liabilities	4,800,357	350,461	262	(224,799)	4,926,281
Shareholders' equity	328,484	6,541	2,029	(6,200)	330,854
Capital additions	4,490	5,368	129	-	9,987

**Secondary reporting format – geographical segments**

Geographical concentrations of the Group assets and liabilities were as follows:

	<b>2006</b>		<b>2005</b>	
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total assets</b>	<b>Total liabilities</b>
Lithuania (home country)	6,860,624	3,511,435	4,945,156	3,023,131
Denmark	35,108	642,841	31,085	1,158
Norway	101,600	1,081,019	5,186	173,356
Latvia	69,882	1,145	42,045	853
Germany	68,655	490,725	54,246	964,565
Luxemburg	1,154	1,301,004	254	432,523
Austria	119,069	70,044	32,597	183,330
Poland	13,034	35,038	35,432	86,566
United Kingdom	136,504	39,734	32,739	38,629
Other foreign countries	329,756	89,723	78,395	22,170
<b>Total</b>	<b>7,735,386</b>	<b>7,262,708</b>	<b>5,257,135</b>	<b>4,926,281</b>

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

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 NET INTEREST INCOME**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Interest income:				
on loans to credit and financial institutions and placements with credit institutions	11,674	21,800	6,347	9,895
on other loans	269,266	246,657	161,659	149,518
on debt securities acquired	15,421	15,389	11,950	11,913
<b>Total interest income</b>	<b>296,361</b>	<b>283,846</b>	<b>179,956</b>	<b>171,326</b>
Interest expense				
on liabilities to credit and financial institutions and amounts due to credit institutions	73,368	67,715	27,745	23,404
on deposits and other repayable funds	34,430	34,430	24,099	24,099
on debt securities issued	22,363	22,363	13,462	13,464
on subordinated loans	5,523	5,523	3,212	3,212
<b>Total interest expense</b>	<b>135,684</b>	<b>130,031</b>	<b>68,518</b>	<b>64,179</b>
<b>Net interest income</b>	<b>160,677</b>	<b>153,815</b>	<b>111,438</b>	<b>107,147</b>

**NOTE 2 NET FEE AND COMMISSION INCOME**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Fee and commission income:				
on assets under management	3,151	3,151	4,019	4,019
money transfer operations	26,215	26,228	21,834	21,847
payment cards services	11,838	11,838	9,919	9,919
securities operations	1,391	1,451	603	602
base currency exchange	4,874	4,874	4,209	4,209
other	12,345	7,746	8,219	6,020
<b>Total fee and commission income</b>	<b>59,814</b>	<b>55,288</b>	<b>48,803</b>	<b>46,616</b>
Fee and commission expense:				
money transfer operations	1,536	1,536	1,494	1,494
payment cards services	9,132	9,132	8,163	8,163
securities operations	774	774	270	268
base currency exchange	152	152	150	150
other	1,226	1,191	481	453
<b>Total fee and commission expense</b>	<b>12,820</b>	<b>12,785</b>	<b>10,558</b>	<b>10,528</b>
<b>Net fee and commission income</b>	<b>46,994</b>	<b>42,503</b>	<b>38,245</b>	<b>36,088</b>

Group other fee and commission income includes LTL 3,301 thousand (2005 – LTL 2,243 thousand) income from operating lease contracts.

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

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Securities (including treasury bills), trading				
Debt securities:				
Realized gain (loss)	(396)	(396)	1,289	1,289
Unrealized gain (loss)	54	54	(881)	(881)
Net income (loss) from trading securities	(342)	(342)	408	408
Derivative financial instruments:				
Realized gain (loss)	(2,436)	(2,432)	(1,409)	(1,409)
Unrealized (loss)	298	298	1,839	1,839
Net income (loss) from derivative financial instruments	(2,138)	(2,134)	430	430
Securities, available for sale				
Realized gain (loss) on debt securities	(3,690)	(3,690)	166	164
Realized gain (loss) on equity securities	-	-	(3)	(3)
Realized gain (loss) on funds units	28	-	-	-
Net income (loss) from available for sale securities	(3,662)	(3,690)	163	161
Income from operations with index rights	7,472	7,472	351	351
Realized gain (loss) from operations with debt securities issued (in the secondary market)	(8)	(8)	(37)	(37)
Received dividends	1	2,001	-	-
<b>Total</b>	<b>1,323</b>	<b>3,299</b>	<b>1,315</b>	<b>1,313</b>

**NOTE 4 IMPAIRMENT LOSSES ON LOANS AND PROVISIONS**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Impairment losses on loans:				
Increase (decrease) of impairment losses, net	16,873	16,873	15,279	15,463
Recovered previously written off loans	(9,511)	(9,511)	(10,632)	(10,632)
Total impairment losses on loans	7,362	7,362	4,647	4,831
Expenses for provisions on:				
other assets	2,573	1,206	33	83
finance leases	17	-	(239)	-
contingent liabilities	39	39	(858)	(903)
Total provisions on other assets and contingent liabilities	2,629	1,245	(1,064)	(820)
<b>Total</b>	<b>9,991</b>	<b>8,607</b>	<b>3,583</b>	<b>4,011</b>

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**NOTE 5 OTHER INCOME**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
On sale of movable or immovable property and other security	991	855	2,435	2,247
Interest for late payments, penalties	182	182	994	994
On rent of movable or immovable property	446	679	496	734
Other	3,050	2,948	5,137	4,620
<b>Total</b>	<b>4,669</b>	<b>4,664</b>	<b>9,062</b>	<b>8,595</b>

**NOTE 6 ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Salaries, social insurance and other related expenses	61,296	58,806	49,685	47,669
Rent of premises and maintenance expenses	10,305	10,218	8,830	8,777
Transportation, post and communications expenses	6,985	6,566	5,732	5,540
Advertising and marketing expenses	5,794	5,370	3,914	3,675
Office equipment and maintenance expenses	8,146	8,725	6,995	7,627
Training and business trip expenses	1,669	1,626	1,018	972
Other operating expenses	13,369	12,677	8,171	7,789
Amortisation of intangible assets (Note 17)	1,519	1,465	1,423	1,322
Depreciation of property, plant and equipment assets (Note 18)	12,041	8,563	12,998	10,717
Fees for compulsory insurance of individuals' deposits	12,880	12,867	10,173	10,170
Taxes other than income tax	8,185	7,967	7,310	6,784
Other expenses	4,421	3,415	4,134	3,306
<b>Total</b>	<b>146,610</b>	<b>138,265</b>	<b>120,383</b>	<b>114,348</b>

The Bank incurred LTL 13,750 thousand of social insurance expenses for the year ended 31 December 2006 (2005: LTL 10,579 thousand). Expenses for social insurance for the Group amounted to LTL 14,337 thousand (2005: LTL 11,053 thousand).

Bank operating expenses includes LTL 840 thousand (2005 – LTL 847 thousand) expenses from operating lease contracts.

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**NOTE 7 INCOME TAX**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Current tax for the year	4,675	3,995	323	42
Change of deferred tax asset (see below)	7,860	8,343	(1,994)	(1,899)
<b>Total</b>	<b>12,535</b>	<b>12,338</b>	<b>(1,671)</b>	<b>(1,857)</b>

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

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Profit before income tax	68,219	68,556	42,537	41,183
Tax calculated at a tax rate of 19% for 2006 (2005: 15%)	12,962	13,026	6,381	6,177
Income not subject to tax	(1,047)	(942)	(1,512)	(1,626)
Expenses not deductible for tax purposes	1,364	998	998	980
Recognition /utilisation of previously unrecognised tax losses	(744)	(744)	(7,538)	(7,388)
Income tax charge/(credit)	<b>12,535</b>	<b>12,338</b>	<b>(1,671)</b>	<b>(1,857)</b>

**Movement in deferred tax asset**

At the beginning of the year	8,178	8,000	6,083	6,000
Charge (credit) to equity	71	71	101	101
Income statement credit (charge)	(7,860)	(8,343)	1,994	1,899
At the end of the year	<b>389</b>	<b>(271)</b>	<b>8,178</b>	<b>8,000</b>

In 2006 LTL 117 thousand of deferred tax (out of 389 thousand) is related to revaluation of available for sale securities (in 2005 LTL 45 thousand).

18% and 15% tax rate was used to calculate deferred income taxes in 2006 (2005: 19% and 15%).

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

**Group – deferred tax liabilities**

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2006	404	11	415
Charged/ (credited) to net profit	362	(11)	351
As at 31 December 2006	<b>766</b>	<b>-</b>	<b>766</b>



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**NOTE 7 INCOME TAX (continued)**

**Group – deferred tax assets**

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2006	39	81	7,900	573	8,593
(Charged)/ credited to net profit	56	(21)	(7,581)	37	(7,509)
Charged/ (credited) to equity	-	71	-	-	71
As at 31 December 2006	95	131	319	610	1,155

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. As at 31 December 2006 the Group has no unrecognized tax losses (2005: LTL 1,108 thousand).

The Group's tax losses carried forward expire as follows:

Year of expiry	Amount
2008	808
2009	696
2010	477
2011	10
	<u>1,991</u>

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

**Bank – deferred tax liability**

	VAT on long term assets	Valuation of securities	Total
As at 1 January 2006	404	11	415
Charged/ (credited) to net profit	362	(11)	351
As at 31 December 2006	766	-	766

**Bank – deferred tax assets**

	Depreciation of long-term assets	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2006	39	81	7,900	395	8,415
Total (charged)/credited to net profit	56	(21)	(7,900)	(126)	(7,991)
Charged/ (credited) to equity	-	71	-	-	71
As at 31 December 2006	95	131	-	269	495

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**NOTE 7 INCOME TAX (continued)**

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. As at 31 December 2006 the Bank has no unused tax losses carried forward (2005: LTL 744 thousand).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The Bank's deferred tax assets and liabilities are offset as shown in the balance sheet. Subsidiaries' deferred tax assets (as at 31 December 2006 amounted LTL 660 thousand) are not offset with the Banks' deferred tax assets and liabilities in Group's balance sheet. The Group deferred tax liabilities as at 31 December 2006 amounted LTL 271 thousand.

	<u>2006</u>		<u>2005</u>
	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Deferred tax assets	495	8,593	8,415
Deferred tax liabilities	<u>(766)</u>	<u>(415)</u>	<u>(415)</u>
	<u>(271)</u>	<u>8,178</u>	<u>8,000</u>

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**NOTE 8 EARNINGS PER SHARE**

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

**Earnings per share**

	<u>2006</u>	<u>2005</u>
	<b>Group</b>	<b>Group</b>
Net profit	55,684	44,208
Weighted average number of issued shares (units)	2,513,602	2,183,182
Earnings per share (LTL per share)	<u>22.15</u>	<u>20.25</u>

As at 31 December 2006 and as at 31 December 2005 the diluted earnings per share are the same as basic earnings per share.

**NOTE 9 CASH AND BALANCES WITH CENTRAL BANKS**

	<u>2006</u>		<u>2005</u>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Cash and other valuables	171,287	171,284	139,364	139,358
Placements with Central Bank:				
Correspondent account with Central bank	-	-	20,668	20,668
Required reserves in national currency	180,745	180,745	179,578	179,578
Total placements with Central Bank	<u>180,745</u>	<u>180,745</u>	<u>200,246</u>	<u>200,246</u>
<b>Total cash and balances with Central Bank</b>	<u>352,032</u>	<u>352,029</u>	<u>339,610</u>	<u>339,604</u>

Required reserves held with the bank of Lithuania are calculated monthly on a basis of previous month end liabilities and 6% required reserves rate is applied. In 2005 the Bank of Lithuania changed the requirements for mandatory reserve and according to these new regulations all required reserves are held only in LTL. Before the above mentioned amendments were approved, mandatory reserve had to be kept also in foreign currency and they were not classified as part of cash equivalents.. The Bank of Lithuania pays interest for the required reserves.

**NOTE 10 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS**

	<u>2006</u>		<u>2005</u>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Due from banks				
Demand deposits	154,091	154,091	141,015	141,015
Term deposits	131,093	131,093	4,273	4,273
Repurchase transactions	-	-	60,032	60,032
Long term loans	4,950	4,950	4,950	4,950
Total due from banks	<u>290,134</u>	<u>290,134</u>	<u>210,270</u>	<u>210,270</u>
Due from financial institutions (except banks)				
Term deposits	18	18	18	18
Short term loans	1,386	1,386	1,959	1,959
Long term loans	36,003	346,346	22,615	244,323
Repurchase transactions	884	884	-	-
Total due from financial institutions	<u>38,291</u>	<u>348,634</u>	<u>24,592</u>	<u>246,300</u>
<b>Total</b>	<u>328,425</u>	<u>638,768</u>	<u>234,862</u>	<u>456,570</u>

Fair values of collaterals hold under repurchase agreements as at 31 December 2006 amounted LTL 1,438. thousand (2005: LTL 61,833 thousand).

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**NOTE 11 TRADING SECURITIES**

	<b>Group</b>	<b>2006 Bank</b>	<b>Group</b>	<b>2005 Bank</b>
<b>Securities at fair value through profit or loss (trading)</b>				
Government bonds of the Republic of Lithuania	18,842	18,842	50,695	50,695
Bonds issued by other banks	3,521	3,521	9,518	9,518
Government bonds of non-residents	995	995	1,204	1,204
Corporate bonds	792	792	1,359	1,359
<b>Total trading securities</b>	<b>24,150</b>	<b>24,150</b>	<b>62,776</b>	<b>62,776</b>

**NOTE 12 DERIVATIVE FINANCIAL INSTRUMENTS**

The Group enters into transactions involving the following derivative instruments:

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

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

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

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**NOTE 12 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

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

	<u>Notional amounts</u>		<u>Fair values</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Assets</u>	<u>Liabilities</u>
<b>As at 31 December 2005</b>				
Currency forwards, swaps	114,462	113,118	1,375	337
Equity linked options	10,358	10,358	636	-
<b>Total</b>	<b>124,820</b>	<b>123,476</b>	<b>2,011</b>	<b>337</b>
<b>As at 31 December 2006</b>				
Currency forwards, swaps, put, call options	282,308	282,397	260	202
Interest rate swaps	984,048	984,048	3,533	2,239
Equity linked options	211,165	237,079	28,659	-
Commodity linked options	16,704	16,704	38	38
<b>Total</b>	<b>1,494,225</b>	<b>1,520,228</b>	<b>32,490</b>	<b>2,479</b>

**NOTE 13 LOANS**

	<u>2006</u>		<u>2005</u>	
	<u>Group</u>	<u>Bank</u>	<u>Group</u>	<u>Bank</u>
Loans to corporate entities	3,330,596	3,330,596	2,276,978	2,276,978
Loans to individuals	2,522,845	2,522,845	1,498,539	1,498,539
Total gross loans granted	5,853,441	5,853,441	3,775,517	3,775,517
Total impairment losses:	(35,297)	(35,297)	(25,910)	(25,910)
to corporate entities	(30,672)	(30,672)	(22,513)	(22,513)
to individuals	(4,625)	(4,625)	(3,397)	(3,397)
<b>Total</b>	<b>5,818,144</b>	<b>5,818,144</b>	<b>3,749,607</b>	<b>3,749,607</b>

Group loans to individuals include LTL 8,194 thousand (2005: LTL 6,715 thousand) as repurchase transactions. Fair values of collaterals hold under these agreements amounted LTL 13,099 thousand (2005: LTL 9,803 thousand).

Mortgage loans pledged as collateral for mortgage bonds amounted to LTL 53,017 thousand as at 31 December 2006 (2005: LTL 53,452 thousand).

**Impairment of loans**

Value of collateral pledged against the loans granted amounted to LTL 8,939,213 thousand as at 31 December 2006 (2005: LTL 6,849,882 thousand). Impaired loans amounted to LTL 91,145 thousand as at 31 December 2006 (2005: LTL 51,115 thousand).

Due to deteriorated financial strength and evaluation of likely recovery the Bank has material impairment losses on an individual client loans (assigned to the banking business segment of the Group). Gross loans amounted to LTL 6,674 thousand as at 31 December 2006 (2005: LTL 15,061 thousand), impairment losses for them amounted to LTL 3,735 thousand in 2006 (2005: LTL 12,417 thousand). Fair value was determined using discounting cash flow method as it is described in the accounting policy.

Material recovery on an individual items (assigned to the banking business segment of the Group) amounted to LTL 6,094 thousand (2005: LTL 10,467 thousand). Assignment of claims let the reversal of the impairment loss.

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**NOTE 13 LOANS (continued)**

Movement of impairment losses on loans is as follows:

	<b>Group</b>	<b>Bank</b>
<u>Balance sheet</u>		
<b>Impairment losses as at 31 December 2004</b>	20,598	20,413
Increase, net (Note 4)	15,279	15,463
Impairment losses on loans written off	(10,021)	(10,021)
Exchange rate adjustment	54	55
	<hr/>	<hr/>
<b>Impairment losses as at 31 December 2005</b>	25,910	25,910
	<hr/>	<hr/>
Increase, net (Note 4)	16,873	16,873
Impairment losses on loans written off	(7,399)	(7,399)
Exchange rate adjustment	(87)	(87)
	<hr/>	<hr/>
<b>Impairment losses as at 31 December 2006</b>	35,297	35,297

<b>Group (Bank)</b>	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Net loans granted to legal entities by industry sectors:				
Real estate, rent	843,433	282,295	843,433	282,295
Manufacturing	717,955	601,458	717,955	601,458
Trading	582,135	472,578	582,135	472,578
Construction	356,060	183,294	356,060	183,294
Agriculture, hunting and forestry	317,950	220,073	317,950	220,073
Utilities	215,439	183,549	215,439	183,549
Other industry sectors	132,144	161,295	132,144	161,295
Transportation	78,085	77,457	78,085	77,457
State governance and compulsory social security	56,723	72,466	56,723	72,466
	<hr/>	<hr/>	<hr/>	<hr/>
Total net loans to corporate entities	3,299,924	2,254,465	3,299,924	2,254,465

Net loans amounting to LTL 5,785,260 thousand at 31 December 2006 (in 2005: LTL 3,728,991 thousand) were granted to corporates and individuals located in Lithuania and net loans of LTL 32,884 thousand were granted to non-residents (in 2005: LTL 20,616 thousand).

Interest rates valid for loans as of 31 December 2006 were from 2.89% to 13.8% (2005: from 3.72% to 9.98%).

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**NOTE 14 FINANCE LEASE RECEIVABLES**

	Up to one year	From 1 to 5 years	Over 5 years	Total
Gross investments in leasing:				
Balance at 31 December 2005	108,852	203,727	39,552	352,131
Change during 2006	52,027	122,418	17,866	192,311
Balance at 31 December 2006:	160,879	326,145	57,418	544,442
Unearned finance income on finance leases:				
Balance at 31 December 2005	11,512	18,009	3,423	32,944
Change during 2006	9,724	18,319	2,076	30,119
Balance at 31 December 2006:	21,236	36,328	5,499	63,063
Net investments in leasing before provisions:				
31 December 2005	97,340	185,718	36,129	319,187
31 December 2006	139,643	289,817	51,919	481,379
Changes in provisions:				
Balance as at 31 December 2004	443	910	75	1,428
Increase (decrease) in provisions (Note 4)	(91)	(209)	61	(239)
Balance as at 31 December 2005	352	701	136	1,189
Increase (decrease) in provisions (Note 4)	(26)	40	3	17
Balance as at 31 December 2006	326	741	139	1,206
Net investments in leasing after provisions:				
31 December 2005	96,988	185,017	35,993	317,998
<b>31 December 2006</b>	139,317	289,076	51,780	480,173

**Segment information**

	<u>2006</u>	<u>2005</u>
By type of lessees:		
Corporate enterprises	387,509	291,606
Individuals	89,018	20,050
Governmental institutions and public organisations	4,852	7,531
Net investments before provisions	481,379	319,187
By type of assets:		
Trucks and other vehicles	195,487	156,801
Real estate	75,817	54,877
Manufacturing facilities	82,605	41,035
Cars	101,138	59,292
Agricultural machinery	25,754	6,381
Office equipment and household appliances	578	801
Net investments before provisions	481,379	319,187

As at 31 December 2006 agreements amounted LTL 14,341 thousand (as at 31 December 2005 – LTL 397 thousand) are done with lessees in Kaliningrad region.

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**NOTE 15 INVESTMENT SECURITIES**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<b>Securities available-for-sale</b>				
Debt securities:				
Government bonds of the Republic of Lithuania	928	-	97,622	96,665
Treasury bills	20,474	20,474	11,405	11,405
Bonds of the banks	471,207	471,207	9,149	9,149
Government bonds of non-residents	38,370	38,370	140,355	140,355
Equity securities:				
Unlisted	342	342	49	49
Units of funds	4,955	-	50	-
<b>Total securities available-for-sale</b>	<b>536,276</b>	<b>530,393</b>	<b>258,630</b>	<b>257,623</b>
<b>Securities held-to-maturity</b>				
Government bonds of the Republic of Lithuania	-	-	143,512	143,512
<b>Total investment securities</b>	<b>536,276</b>	<b>530,393</b>	<b>402,142</b>	<b>401,135</b>

In May 2006 after the management decision to sell securities held to maturity was made, these securities were reclassified as available for sale securities and remeasured at fair value. Unrealised revaluation gain approximated LTL 1,000 thousand.

**NOTE 16 INVESTMENTS IN SUBSIDIARIES**

	<b>Share</b>	<b>Nominal value</b>	<b>Cost</b>	<b>2006</b>	<b>2005</b>
				<b>Carrying value</b>	<b>Carrying value</b>
Investments in consolidated subsidiaries:					
DnB NORD lizingas UAB	100%	2,000	2,200	2,200	2,200
DnB NORD investicijų valdymas UAB	100%	2,000	4,000	4,000	4,000
<b>Total</b>				<b>6,200</b>	<b>6,200</b>



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**NOTE 17 INTANGIBLE ASSETS**

	<b>Group</b>	<b>Bank</b>
<b>31 December 2004</b>		
Cost	11,866	11,606
Accumulated amortisation	(7,527)	(7,370)
<b>Net book value</b>	<b>4,339</b>	<b>4,236</b>
<u>Year ended 31 December 2005</u>		
Net book value at 1 January	4,339	4,236
Acquisitions	1,021	885
Reclassification	(21)	(21)
Amortisation charge	(1,424)	(1,322)
<b>Net book value at 31 December</b>	<b>3,915</b>	<b>3,778</b>
<u>31 December 2005</u>		
Cost	11,631	11,235
Accumulated amortisation	(7,716)	(7,457)
<b>Net book value</b>	<b>3,915</b>	<b>3,778</b>
<u>Year ended 31 December 2006</u>		
Net book value at 1 January	3,915	3,778
Acquisitions	4,705	4,498
Disposals and write-offs	(5)	(5)
Amortisation charge	(1,519)	(1,465)
<b>Net book value at 31 December</b>	<b>7,096</b>	<b>6,806</b>
<u>31 December 2006</u>		
Cost	16,320	15,722
Accumulated amortisation	(9,224)	(8,916)
<b>Net book value</b>	<b>7,096</b>	<b>6,806</b>
Economic life (in years)	3-5	5

Intangible assets include purchased computer software and software licences.

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**NOTE 18 PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Buildings and premises</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<u>31 December 2004</u>					
Cost	88,670	8,716	68,089	40	165,515
Accumulated depreciation	(13,781)	(2,160)	(41,433)	-	(57,374)
<b>Net book value</b>	<b>74,889</b>	<b>6,556</b>	<b>26,656</b>	<b>40</b>	<b>108,141</b>
<u>Year ended 31 December 2005</u>					
Net book value at 1 January	74,889	6,556	26,656	40	108,141
Acquisitions	325	4,585	4,056	-	8,966
Reclassification	-	-	21	-	21
Impairment losses	(283)	-	(81)	-	(364)
Disposals and write-offs	(3,356)	(1,481)	(795)	(25)	(5,657)
Depreciation charge	(2,030)	(1,537)	(9,431)	-	(12,998)
<b>Net book value at 31 December</b>	<b>69,545</b>	<b>8,123</b>	<b>20,426</b>	<b>15</b>	<b>98,109</b>
<u>31 December 2005</u>					
Cost	84,039	10,552	55,299	15	149,905
Accumulated depreciation	(14,494)	(2,429)	(34,873)	-	(51,796)
<b>Net book value</b>	<b>69,545</b>	<b>8,123</b>	<b>20,426</b>	<b>15</b>	<b>98,109</b>
<u>Year ended 31 December 2006</u>					
Net book value at 1 January	69,545	8,123	20,426	15	98,109
Acquisitions	590	7,656	13,121	5,504	26,871
Transfers from construction in progress	115	-	-	(115)	-
Impairment losses	(24)	-	-	-	(24)
Disposals and write-offs	(1,829)	(1,338)	(1,188)	-	(4,355)
Depreciation charge	(1,884)	(2,136)	(8,021)	-	(12,041)
<b>Net book value at 31 December</b>	<b>66,513</b>	<b>12,305</b>	<b>24,338</b>	<b>5,404</b>	<b>108,560</b>
<u>31 December 2006</u>					
Cost	81,784	15,781	55,816	5,404	158,785
Accumulated depreciation	(15,271)	(3,476)	(31,478)	-	(50,225)
<b>Net book value</b>	<b>66,513</b>	<b>12,305</b>	<b>24,338</b>	<b>5,404</b>	<b>108,560</b>
Economic life (in years)	50	6-10	3-27	-	-

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**NOTE 18 PROPERTY, PLANT AND EQUIPMENT (continued)**

From the total Group assets amount stated above the assets under operating lease agreements as at 31 December 2006 amounted to LTL 13,841 thousand (in 2005 LTL 8,951 thousand) and are as follows:

	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<u>31 December 2004</u>			
Cost	8,244	2,130	10,374
Accumulated depreciation	(2,049)	(710)	(2,759)
<b>Net book value</b>	<b>6,195</b>	<b>1,420</b>	<b>7,615</b>
<u>Year ended 31 December 2005</u>			
Net book value at 1 January	6,195	1,420	7,615
Acquisitions	4,463	384	4,847
Disposals and write-offs	(1,347)	-	(1,347)
Depreciation charge	(1,454)	(710)	(2,164)
<b>Net book value at 31 December</b>	<b>7,857</b>	<b>1,094</b>	<b>8,951</b>
<u>31 December 2005</u>			
Cost	10,158	2,514	12,672
Accumulated depreciation	(2,301)	(1,420)	(3,721)
<b>Net book value</b>	<b>7,857</b>	<b>1,094</b>	<b>8,951</b>
<u>Year ended 31 December 2006</u>			
Net book value at 1 January	7,857	1,094	8,951
Acquisitions	7,656	2,161	9,817
Disposals and write-offs	(1,227)	(324)	(1,551)
Depreciation charge	(2,078)	(1,298)	(3,376)
<b>Net book value at 31 December</b>	<b>12,208</b>	<b>1,633</b>	<b>13,841</b>
<u>31 December 2006</u>			
Cost	15,573	4,262	19,835
Accumulated depreciation	(3,365)	(2,629)	(5,994)
<b>Net book value</b>	<b>12,208</b>	<b>1,633</b>	<b>13,841</b>
Economic life (in years)	6	3	-

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**NOTE 18 PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Bank</b>	<b>Buildings and premises</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<u>31 December 2004</u>					
Cost	88,670	100	65,660	40	154,470
Accumulated depreciation	(13,781)	(29)	(40,533)	-	(54,343)
<b>Net book value</b>	<b>74,889</b>	<b>71</b>	<b>25,127</b>	<b>40</b>	<b>100,127</b>
<u>Year ended 31 December 2005</u>					
Net book value at 1 January	74,889	71	25,127	40	100,127
Acquisitions	-	-	3,605	-	3,605
Reclassification	-	-	21	-	21
Impairment losses	(283)	-	(81)	-	(364)
Disposals and write-offs	(3,356)	-	(795)	(25)	(4,176)
Depreciation charge	(2,030)	(20)	(8,667)	-	(10,717)
<b>Net book value at 31 December</b>	<b>69,220</b>	<b>51</b>	<b>19,210</b>	<b>15</b>	<b>88,496</b>
<u>31 December 2005</u>					
Cost	83,714	100	52,437	15	136,266
Accumulated depreciation	(14,494)	(49)	(33,227)	-	(47,770)
<b>Net book value</b>	<b>69,220</b>	<b>51</b>	<b>19,210</b>	<b>15</b>	<b>88,496</b>
<u>Year ended 31 December 2006</u>					
Net book value at 1 January	69,220	51	19,210	15	88,496
Acquisitions	-	-	10,704	5,504	16,208
Transfers from construction in progress	115	-	-	(115)	-
Impairment losses	(24)	-	-	-	(24)
Disposals and write-offs	(1,629)	-	(836)	-	(2,465)
Depreciation charge	(1,884)	(20)	(6,659)	-	(8,563)
<b>Net book value at 31 December</b>	<b>65,798</b>	<b>31</b>	<b>22,419</b>	<b>5,404</b>	<b>93,652</b>
<u>31 December 2006</u>					
Cost	81,069	100	51,034	5,404	137,607
Accumulated depreciation	(15,271)	(69)	(28,615)	-	(43,955)
<b>Net book value</b>	<b>65,798</b>	<b>31</b>	<b>22,419</b>	<b>5,404</b>	<b>93,652</b>
Economic life (in years)	50	6-10	3-27	-	-

No assets were pledged to a third party as at 31 December 2006 and 31 December 2005.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment at 31 December 2006 and 31 December 2005.

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**NOTE 19 OTHER ASSETS**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Accrued income	1,384	901	652	421
Deferred expenses	3,977	3,341	4,005	2,922
Receivables from foreclosed assets sold on instalment basis	308	308	830	830
Foreclosed assets, net	624	624	447	447
Other assets, net				
Prepayments for property and equipment	26,305	95	8,886	2,138
Assets bought for leasing activities	8,685	-	15,922	-
Other assets	6,097	2,100	7,185	3,906
Total other assets, net	41,087	2,195	31,993	6,044
<b>Total</b>	<b>47,380</b>	<b>7,369</b>	<b>37,927</b>	<b>10,664</b>

**NOTE 20 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<u>Funds of banks</u>				
Demand deposits	452,252	452,252	181,227	181,227
Term deposits	2,300,506	2,300,506	572,962	572,962
Loans	577,615	368,299	897,258	793,477
Total funds of Banks	3,330,373	3,121,057	1,651,447	1,547,666
<u>Funds of financial institutions (other than banks)</u>				
Demand deposits	16,604	19,831	14,214	17,124
Term deposits	49,803	49,803	18,413	18,413
Total funds of financial institutions	66,407	69,634	32,627	35,537
<b>Total</b>	<b>3,396,780</b>	<b>3,190,691</b>	<b>1,684,074</b>	<b>1,583,203</b>

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**NOTE 21 DUE TO CUSTOMERS**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
<u>Demand deposits:</u>				
National government institutions	190,811	190,811	182,413	182,413
Local government institutions	107,852	107,852	140,179	140,179
Governmental and municipality companies	50,162	50,162	52,598	52,598
Legal entities	888,200	888,200	773,433	773,433
Non-profit organisations	34,367	34,367	25,040	25,040
Individuals	722,729	722,729	607,458	607,458
<b>Total demand deposits</b>	<b>1,994,121</b>	<b>1,994,121</b>	<b>1,781,121</b>	<b>1,781,121</b>
<u>Term deposits:</u>				
National government institutions	7,677	7,677	7,127	7,127
Local government institutions	1,961	1,961	1,777	1,777
Governmental and municipality companies	28,827	28,827	30,445	30,445
Legal entities	133,884	133,884	112,952	112,952
Non-profit organisations	5,957	5,957	5,639	5,639
Individuals	856,537	856,537	685,564	685,564
<b>Total term deposits</b>	<b>1,034,843</b>	<b>1,034,843</b>	<b>843,504</b>	<b>843,504</b>
<b>Total deposits</b>	<b>3,028,964</b>	<b>3,028,964</b>	<b>2,624,625</b>	<b>2,624,625</b>

As at 31 December 2006, demand deposits of national government institutions included LTL 135,319 thousand (2005: LTL 95,717 thousand) of deposits of compulsory social and health insurance funds.

Interest rates valid for term deposits of individuals as at 31 December 2006 were from 0.75 % to 4.9% and for term deposits of legal entities (other than banks and other financial institutions) – from 1.6% to 4.52%.

**NOTE 22 DEBT SECURITIES IN ISSUE**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Bonds denominated in EUR with floating interest rate 6 month EURIBOR+0.47 p.a., maturity 2006	-	-	172,428	172,428
Mortgage bonds denominated in LTL with floating interest rate 6 month VILIBOR+0.23 p.a., maturity 2007	44,465	44,465	40,894	40,894
Bonds denominated in EUR with floating interest rate 6 month EURIBOR+0.35 p.a., maturity 2007	175,690	175,690	174,391	174,391
Bonds denominated in LTL with fixed interest rate 3.25 p.a., maturity 2008	41,689	41,689	43,095	43,095
Bonds denominated in LTL with fixed interest rate 4.33 p.a., maturity 2009.	25,198	25,198	10,006	10,006
Bonds denominated in LTL with fixed interest rate 3.40 p.a., maturity 2007.	1,508	1,508	-	-
Equity linked Bonds denominated in EUR, zero coupon, maturity 2008-2011	210,017	210,017	-	-
Equity linked Bonds denominated in LVL, zero coupon, maturity 2009	10,723	10,723	-	-
Equity linked Bonds denominated in LTL, zero coupon, maturity 2009, 2010	21,423	21,423	-	-
Commodity linked bonds (EUR), zero coupon, maturity 2009.	16,625	16,625	-	-
<b>Total debts securities in issue</b>	<b>547,338</b>	<b>547,338</b>	<b>440,814</b>	<b>440,814</b>

Effective interest rate for equity linked bonds as at 31 December 2006 were from 3.34 % to 4.82%

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**NOTE 23 OTHER LIABILITIES**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Accrued expenses	14 778	14,377	9,499	8,964
Deferred income	4 618	2,564	1,749	566
Other liabilities:				
Transit accounts	8,806	8,806	7,980	7,980
Liabilities for transactions with payment cards	16,403	16,403	8,688	8,688
Liabilities to suppliers	12,219	-	16,528	-
Other liabilities	16,597	14,270	19,347	12,821
Total, other liabilities	54,025	39,479	52,543	29,489
<b>Total</b>	<b>73,421</b>	<b>56,420</b>	<b>63,791</b>	<b>39,019</b>

**NOTE 24 SUBORDINATED LOANS**

Loan provider:	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Norddeutsche Landesbank Girozentrale	52,698	52,698	52,426	52,426
European Bank for Reconstruction and Development (EBRD)	38,639	38,639	38,464	38,464
Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig	8,768	8,768	8,768	8,768
Bank DnB NORD A/S	98,949	98,949	-	-
<b>Total</b>	<b>199,054</b>	<b>199,054</b>	<b>99,658</b>	<b>99,658</b>

All subordinated loans are denominated in Euro (EUR). The Group has not had any defaults of principal, interest or redemption amounts during the period on its borrowed funds (2005: nil).

In 2006 the Bank received two subordinated loans from Bank DnB NORD A/S: in May 2006, the Bank and Bank DnB NORD A/S signed a subordinated loan agreement. According to this agreement the Bank got 10 years EUR 16,000 thousand (LTL 55,245 thousand) loan; in October 2006, the Bank and Bank DnB NORD A/S signed a subordinated loan agreement. According to this agreement the Bank got 10 years EUR 12,500 thousand (LTL 43,160 thousand) loan. These loans are repayable in full in 2016. The interest rate on this loan is equal to 6-month EURIBOR + 0.60 p.a.

In February 2005, the Bank and Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig fund, founded by Norddeutsche Landesbank Girozentrale, signed a subordinated loan agreement. According to this agreement the Bank got 10 years EUR 2,500 thousand (LTL 8,632 thousand) loan. This loan is repayable in full in 2015. Interest rate on the loan is 4.39% until 24 February 2010 and 5.9% from 25 February 2010.

In August 2004, the Bank and EBRD signed a subordinated loan agreement that replaced the previous subordinated loan agreement. According to a new agreement the Bank got a further EUR 3,330 thousand loan in September 2004. This loan (EUR 11,000 thousand / LTL 37,981 thousand) is repayable in full in 2014. Interest rate on the loan is equal to 6 month EURIBOR + 1.4 p.a. until 28 September 2009 and 6 month EURIBOR +2.4 p.a. from 29 September 2009.

In July 2003, the Bank received subordinated loan from Norddeutsche Landesbank Girozentrale (EUR 15,000 thousand / LTL 51,792 thousand). This loan is repayable in full in 2013. The interest rate on this loan is equal to 6-month EURIBOR + 0.61 p.a.

Interest rates valid for loans as of 31 December 2006 were from 3.9% to 4.8%.

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**NOTE 25 SHARE CAPITAL**

As at 31 December 2006 the share capital of the Bank is divided into 2,710,746 (2005: – 2,464,316) ordinary registered shares with a par value of LTL 115 each (2005: LTL 95). On 12 May 2006, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the increase of the Bank's authorised share capital by LTL 49,286 thousand by increasing the par value per share from LTL 95 to LTL 115. On 20 October 2006, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the increase of the Bank's authorised share capital by LTL 86,251 thousand by issuing 246,430 ordinary registered shares with a par value of LTL 115 each. The new shares have been allotted at LTL 350 each. All shares were subscribed and fully paid for. Share premium amounted to LTL 92,800 thousand as at 31 December 2006 (2005: – LTL 34,889 thousand).

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

	2006			2005		
	Number of shares	Nominal value, LTL thousand	%	Number of shares	Nominal value, LTL thousand	%
BANK DNB NORD A/S (DK)	2,524,537	290,322	93.13	2,294,643	217,991	93.11
EAST Capital Asset Management (SWE)	173,785	19,985	6.41	160,857	15,281	6.53
Other	12,424	1,429	0.46	8,816	838	0.36
<b>Total</b>	<b>2,710,746</b>	<b>311,736</b>	<b>100.00</b>	<b>2,464,316</b>	<b>234,110</b>	<b>100.00</b>

**NOTE 26 OTHER RESERVES**

	2006		2005	
	Group	Bank	Group	Bank
Mandatory reserve	3,875	3,749	892	853
Property, plant and equipment revaluation reserve	907	907	983	983
Financial assets revaluation reserve	(277)	(287)	(166)	(191)
<b>Total</b>	<b>4,505</b>	<b>4,369</b>	<b>1,709</b>	<b>1,645</b>

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

The balance of property, plant and equipment revaluation reserve related to the assets, which have been disposed of or fully depreciated, amounted to LTL 44 thousand at 31 December 2006 (2005: LTL 76 thousand). Management of the Bank plans to propose to the shareholders' meeting to approve the transfer of this amount to retained earnings.

**NOTE 27 ASSETS / FUNDS UNDER MANAGEMENT**

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

Assets under management totalling to LTL 66,052 thousand as at 31 December 2006 (2005: LTL 78,923 thousand) consist of loans granted to legal entities and individuals, including farmers and house building associations and other companies. These loans were granted from the Lithuanian Agricultural Support Fund, the Farmers' Support Fund, the Agricultural Support Fund (proceeds from sale of grain received from the USA) and the Common Mortgage Support Fund.

The Bank manages these loans on behalf of the Lithuanian Ministry of Finance and the Lithuanian Ministry of Agriculture. The Bank's credit risk in respect these loans is limited to the customer's failure to pay the accrued interest margin. The Bank is not subject to any interest or currency risk on these loans.



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**NOTE 28 CONTINGENT LIABILITIES AND COMMITMENTS**

**Legal claims.** As at 31 December 2006, contingent liabilities that may arise as a result of pending court proceedings in which the Group (Bank) would appear as a respondent amounted to LTL 710 thousand (2005: LTL 259 thousand). The Bank established a provision of LTL 116 thousand (2005: LTL 31.3 thousand) against potential losses in relation to the outcome of legal claims.

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

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Guarantees	99,071	99,071	40,251	40,268
Letters of credit	6,430	6,430	3,291	3,291
Commitments to grant loans	1,259,792	1,264,946	789,250	828,146
Commitments to grant finance leases	58,979	-	36,655	-
Commitments to acquire assets	7,898	-	6,124	501
Other commitments	8,204	8,407	8,642	9,774
<b>Total</b>	<b>1,440,374</b>	<b>1,378,854</b>	<b>884,213</b>	<b>881,980</b>

Provisions of LTL 63 thousand (2005: LTL 25 thousand provisions), accounted for under Other liabilities, were made for losses in relation to these commitments.

The management of the Bank considers the level of provisions to be sufficient to cover these losses.

**Operating lease commitments – where the Group is the lessee**

The future aggregate minimum lease payments under non-cancellable operating lease agreements are as follows:

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Not later than 1 year	1,019	1,142	1,019	2,000
Later than 1 year and not later than 5 years	4,077	4,157	4,077	4,228
Later than 5 years	1,868	1,868	2,887	2,887
<b>Total</b>	<b>6,964</b>	<b>7,167</b>	<b>7,983</b>	<b>9,115</b>

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

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

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Not later than 1 year	5,715	-	2,530	-
Later than 1 year and not later than 5 years	3,632	-	2,431	-
<b>Total</b>	<b>9,347</b>	<b>-</b>	<b>4,961</b>	<b>-</b>

The tax authorities have carried out a full-scope tax audit at the Bank for the years 1998 to 2001 (income tax audit was done for the period 1998 to 2000). There were no made significant remarks or disputes.

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

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**NOTE 29 CASH AND CASH EQUIVALENTS**

	<b>2006</b>		<b>2005</b>	
	<b>Group</b>	<b>Bank</b>	<b>Group</b>	<b>Bank</b>
Cash	171,287	171,284	139,363	139,357
Other valuables	-	-	1	1
Correspondent accounts with other banks	10,273	10,273	13,223	13,223
Correspondent accounts with the central bank	-	-	20,668	20,668
Short-term securities	-	-	8,965	8,965
Overnight deposits	143,766	143,766	127,792	127,792
Mandatory reserves with the central bank LTL	180,689	180,689	179,578	179,578
<b>Total</b>	<b>506,015</b>	<b>506,012</b>	<b>489,590</b>	<b>489,584</b>

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**NOTE 30 LIQUIDITY RISK**

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2006 is as follows:

	<b>On demand</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 3 years</b>	<b>More than 3 years</b>	<b>Maturity undefi- ned</b>	<b>Total</b>
<b>Assets</b>									
Cash and balances with central banks	352,029	-	-	-	-	-	-	-	352,029
Due from other banks	10,273	271,160	7,197	5,876	15,012	329,232	-	18	638,768
Trading securities	-	1	148	2,763	18,241	1,938	1,059	-	24,150
Derivative financial instruments	-	2,242	262	85	917	27,097	1,887	-	32,490
Loans	-	142,460	185,263	366,018	637,427	1,826,052	2,615,220	45,704	5,818,144
Securities available-for-sale	-	1,022	1,375	21,945	30,217	103,695	371,797	342	530,393
Securities held-to-maturity	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	6,200	6,200
Intangible assets	-	-	-	-	-	-	-	6,806	6,806
Property, plant and equipment	-	-	-	-	-	-	-	93,652	93,652
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	23	1,369	160	748	455	62	65	4,487	7,369
<b>Total assets</b>	<b>362,325</b>	<b>418,254</b>	<b>194,405</b>	<b>397,435</b>	<b>702,269</b>	<b>2,288,076</b>	<b>2,990,028</b>	<b>157,209</b>	<b>7,510,001</b>
<b>Liabilities</b>									
Due to other banks	463,517	288,919	324,024	84,168	390,358	1,639,705	-	-	3,190,691
Derivative financial instruments	-	59	77	2,324	19	-	-	-	2,479
Due to customers	1,996,044	277,179	246,837	216,525	200,922	79,763	11,694	-	3,028,964
Debt securities in issue	-	3,610	710	-	218,020	316,669	8,329	-	547,338
Special and lending funds	4,315	38	-	-	-	-	5,537	-	9,890
Other liabilities	11,477	29,958	891	5,386	1,729	9	21	6,949	56,420
Current income tax liabilities	-	-	-	-	4,037	-	-	-	4,037
Deferred income tax liabilities	-	-	-	-	-	-	-	271	271
Subordinated loans	-	906	794	544	-	-	196,810	-	199,054
Shareholders' equity	-	-	-	-	-	-	-	470,857	470,857
<b>Total liabilities and shareholders' equity</b>	<b>2,475,353</b>	<b>600,669</b>	<b>573,333</b>	<b>308,947</b>	<b>815,085</b>	<b>2,036,146</b>	<b>222,391</b>	<b>478,077</b>	<b>7,510,001</b>
<b>Net liquidity gap</b>	<b>(2,113,028)</b>	<b>(182,415)</b>	<b>(378,928)</b>	<b>88,488</b>	<b>(112,816)</b>	<b>251,930</b>	<b>2,767,637</b>	<b>(320,868)</b>	<b>-</b>

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**NOTE 30 LIQUIDITY RISK (continued)**

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2005 was as follows

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	353,087	283,821	153,396	516,812	425,798	1,367,938	1,892,183	135,806	5,128,841
Total liabilities and shareholders' equity	1,826,745	569,494	731,449	377,971	376,493	712,356	204,067	330,266	5,128,841
<b>Net liquidity gap</b>	<b>(1,473,658)</b>	<b>(285,673)</b>	<b>(578,053)</b>	<b>138,841</b>	<b>49,305</b>	<b>655,582</b>	<b>1,688,116</b>	<b>(194,460)</b>	<b>-</b>

The Bank's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of each month of the reporting period:

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2005	1,040,984	2,801,533	37.16
31 January 2006	1,005,141	3,007,263	33.42
28 February 2006	969,701	2,952,407	32.84
31 March 2006	977,344	2,938,957	33.25
30 April 2006	983,537	2,985,773	32.94
31 May 2006	1,056,083	3,007,209	35.12
30 June 2006	1,091,227	3,146,047	34.69
31 July 2006	1,124,841	3,236,389	34.76
31 August 2006	1,064,758	3,200,674	33.27
30 September 2006	1,034,935	3,018,692	34.28
31 October 2006	1,094,950	3,030,330	36.13
30 November 2006	1,057,796	3,214,899	32.90
31 December 2006	1,251,133	3,575,185	34.99

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**NOTE 30 LIQUIDITY RISK (continued)**

The structure of the Group's assets and liabilities by the remaining maturity as at 31 December 2006 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefi-ned	Total
<b>Assets</b>									
Cash and balances with central banks	352,032	-	-	-	-	-	-	-	352,032
Due from other banks	10,273	269,990	7,197	5,876	15,012	20,059	-	18	328,425
Trading securities	-	1	148	2,763	18,241	1,938	1,059	-	24,150
Derivative financial instruments	-	2,242	262	85	917	27,097	1,887	-	32,490
Loans	-	142,460	185,263	366,018	637,427	1,826,052	2,615,220	45,704	5,818,144
Finance lease receivables	-	17,313	23,701	34,715	62,741	188,552	152,316	835	480,173
Securities available-for-sale	-	1,030	1,393	21,950	30,220	103,983	372,403	5,297	536,276
Securities held-to-maturity	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	7,096	7,096
Property, plant and equipment	-	-	-	-	-	-	-	108,560	108,560
Deferred tax assets	-	-	-	-	-	-	-	660	660
Other assets	23	1,368	415	748	455	62	65	44,244	47,380
<b>Total assets</b>	<b>362,328</b>	<b>434,404</b>	<b>218,379</b>	<b>432,155</b>	<b>765,013</b>	<b>2,167,743</b>	<b>3,142,950</b>	<b>212,414</b>	<b>7,735,386</b>
<b>Liabilities</b>									
Due to other banks	460,290	290,550	324,442	84,267	390,358	1,846,873	-	-	3,396,780
Derivative financial instruments	-	59	77	2,324	19	-	-	-	2,479
Due to customers	1,996,044	277,179	246,837	216,525	200,922	79,763	11,694	-	3,028,964
Debt securities in issue	-	3,610	710	-	218,020	316,669	8,329	-	547,338
Special and lending funds	4,315	38	-	-	-	-	5,537	-	9,890
Other liabilities	11,477	40,945	2,996	7,458	2,088	1,214	260	6,983	73,421
Current income tax liabilities	-	-	-	-	4,511	-	-	-	4,511
Deferred income tax liabilities	-	-	-	-	-	-	-	271	271
Subordinated loans	-	906	794	544	-	-	196,810	-	199,054
Shareholders' equity	-	-	-	-	-	-	-	472,678	472,678
<b>Total liabilities and shareholders' equity</b>	<b>2,472,126</b>	<b>613,287</b>	<b>575,856</b>	<b>311,118</b>	<b>815,918</b>	<b>2,244,519</b>	<b>222,630</b>	<b>479,932</b>	<b>7,735,386</b>
<b>Net liquidity gap</b>	<b>(2,109,798)</b>	<b>(178,883)</b>	<b>(357,477)</b>	<b>121,037</b>	<b>(50,905)</b>	<b>(76,776)</b>	<b>2,920,320</b>	<b>(267,518)</b>	<b>-</b>

The structure of the Group's assets and liabilities by the remaining maturity as at 31 December 2005 was as follows

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefi-ned	Total
Total assets	353,093	314,043	176,252	320,159	469,108	1,496,445	1,985,528	142,507	5,257,135
Total liabilities and shareholders' equity	1,823,909	588,379	735,609	378,167	480,824	713,343	204,230	332,674	5,257,135
<b>Net liquidity gap</b>	<b>(1,470,816)</b>	<b>(274,336)</b>	<b>(559,357)</b>	<b>(58,008)</b>	<b>(11,716)</b>	<b>783,102</b>	<b>1,781,298</b>	<b>(190,167)</b>	<b>-</b>

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**NOTE 30 LIQUIDITY RISK (continued)**

The Group's liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of the quarter of the reporting period:

	<b>Liquid assets</b>	<b>Current liabilities</b>	<b>Liquidity ratio (per cent)</b>
31 December 2005	1,053,456	2,858,728	36.85
31 March 2006	991,385	3,057,932	32.42
30 June 2006	1,108,381	3,325,445	33.33
30 September 2006	1,052,595	3,087,402	34.09
31 December 2006	1,268,435	3,651,250	34.74

**NOTE 31 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's open positions of prevailing currencies as at 31 December 2006 were as follows:

	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>RUB</b>	<b>Other currencies</b>	<b>Total currencies</b>	<b>LTL</b>	<b>Total</b>
<b>Assets</b>								
Cash and balances with central banks	8,679	14,912	9,425	167	9,867	43,050	308,982	352,032
Due from other banks	64,174	230,935	111	421	11,176	306,817	21,608	328,425
Trading securities	-	1,413	-	-	-	1,413	22,737	24,150
Derivative financial instruments	38	32,192	-	-	-	32,230	260	32,490
Loans	49,637	2,633,350	-	-	-	2,682,987	3,135,157	5,818,144
Finance lease receivables	1,015	472,384	-	-	-	473,399	6,774	480,173
Securities available-for-sale	292	502,527	-	-	-	502,819	33,457	536,276
Investments in subsidiaries	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	7,096	7,096
Property, plant and equipment	-	-	-	-	-	-	108,560	108,560
Deferred tax assets	-	-	-	-	-	-	660	660
Other assets	49	22,590	12	10	64	22,725	24,655	47,380
<b>Total assets</b>	<b>123,884</b>	<b>3,910,303</b>	<b>9,548</b>	<b>598</b>	<b>21,107</b>	<b>4,065,440</b>	<b>3,669,946</b>	<b>7,735,386</b>
<b>Liabilities</b>								
Due to other banks	1,005	3,305,560	50	-	123	3,306,738	90,042	3,396,780
Derivative financial instruments	-	2,239	-	-	-	2,239	240	2,479
Due to customers	143,476	285,305	4,492	695	8,198	442,166	2,586,798	3,028,964
Debt securities in issue	-	405,562	-	-	9,510	415,072	132,266	547,338
Special and lending funds	-	-	-	-	-	-	9,890	9,890
Other liabilities	198	5,730	28	2	49	6,007	67,414	73,421
Current income tax liabilities	-	-	-	-	-	-	4,511	4,511
Deferred income tax liabilities	-	-	-	-	-	-	271	271
Subordinated loans	-	199,054	-	-	-	199,054	-	199,054
Shareholders' equity	-	(374)	-	-	-	(374)	473,052	472,678
<b>Total liabilities and shareholders' equity</b>	<b>144,679</b>	<b>4,203,076</b>	<b>4,570</b>	<b>697</b>	<b>17,880</b>	<b>4,370,902</b>	<b>3,364,484</b>	<b>7,735,386</b>
<b>Net balance sheet position</b>	<b>(20,795)</b>	<b>(292,773)</b>	<b>4,978</b>	<b>(99)</b>	<b>3,227</b>	<b>(305,462)</b>	<b>305,462</b>	<b>-</b>
<b>Off-balance sheet position</b>	<b>21,239</b>	<b>178,451</b>	<b>(4,427)</b>	<b>-</b>	<b>7,012</b>	<b>202,275</b>	<b>(203,680)</b>	<b>(1,405)</b>
<b>Net open position</b>	<b>444</b>	<b>(114,322)</b>	<b>551</b>	<b>(99)</b>	<b>10,239</b>	<b>(103,187)</b>	<b>101,782</b>	<b>(1,405)</b>

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**NOTE 31 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)**

The Bank's open positions of prevailing currencies as at 31 December 2006 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
<b>Assets</b>								
Cash and balances with central banks	8,679	14,912	9,425	167	9,867	43,050	308,979	352,029
Due from other banks	65,189	511,197	111	421	11,176	588,094	50,674	638,768
Trading securities	-	1,413	-	-	-	1,413	22,737	24,150
Derivative financial instruments	38	32,192	-	-	-	32,230	260	32,490
Loans	49,637	2,633,350	-	-	-	2,682,987	3,135,157	5,818,144
Securities available-for-sale	292	502,527	-	-	-	502,819	27,574	530,393
Investments in subsidiaries	-	-	-	-	-	-	6,200	6,200
Intangible assets	-	-	-	-	-	-	6,806	6,806
Property, plant and equipment	-	-	-	-	-	-	93,652	93,652
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	49	1,024	12	-	64	1,149	6,220	7,369
<b>Total assets</b>	<b>123,884</b>	<b>3,696,615</b>	<b>9,548</b>	<b>588</b>	<b>21,107</b>	<b>3,851,742</b>	<b>3,658,259</b>	<b>7,510,001</b>
<b>Liabilities</b>								
Due to other banks	1,005	3,096,244	50	-	123	3,097,422	93,269	3,190,691
Derivative financial instruments	-	2,239	-	-	-	2,239	240	2,479
Due to customers	143,476	285,305	4,492	695	8,198	442,166	2,586,798	3,028,964
Debt securities in issue	-	405,562	-	-	9,510	415,072	132,266	547,338
Special and lending funds	-	-	-	-	-	-	9,890	9,890
Other liabilities	198	5,530	28	2	49	5,807	50,613	56,420
Current income tax liabilities	-	-	-	-	-	-	4,037	4,037
Deferred income tax liabilities	-	-	-	-	-	-	271	271
Subordinated loans	-	199,054	-	-	-	199,054	-	199,054
Shareholders' equity	-	(374)	-	-	-	(374)	471,231	470,857
<b>Total liabilities and shareholders' equity</b>	<b>144,679</b>	<b>3,993,560</b>	<b>4,570</b>	<b>697</b>	<b>17,880</b>	<b>4,161,386</b>	<b>3,348,615</b>	<b>7,510,001</b>
<b>Net balance sheet position</b>	<b>(20,795)</b>	<b>(296,945)</b>	<b>4,978</b>	<b>(109)</b>	<b>3,227</b>	<b>(309,644)</b>	<b>309,644</b>	<b>-</b>
<b>Off-balance sheet position</b>	<b>21,239</b>	<b>178,451</b>	<b>(4,427)</b>	<b>-</b>	<b>7,012</b>	<b>202,275</b>	<b>(203,680)</b>	<b>(1,405)</b>
<b>Net open position</b>	<b>444</b>	<b>(118,494)</b>	<b>551</b>	<b>(109)</b>	<b>10,239</b>	<b>(107,369)</b>	<b>105,964</b>	<b>(1,405)</b>

The Bank's open positions of prevailing currencies as at 31 December 2005 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets	57,809	2,375,471	8,304	315	8,193	2,450,092	2,678,749	5,128,841
Liabilities and shareholders' equity	158,000	2,224,116	3,834	299	5,815	2,392,064	2,736,777	5,128,841
<b>Net balance sheet position</b>	<b>(100,191)</b>	<b>151,355</b>	<b>4,470</b>	<b>16</b>	<b>2,378</b>	<b>58,028</b>	<b>(58,028)</b>	<b>-</b>
Off balance position	99,602	(93,833)	(4,362)	-	(1,871)	(464)	1,812	1,348
<b>Net position</b>	<b>(589)</b>	<b>57,522</b>	<b>108</b>	<b>16</b>	<b>507</b>	<b>57,564</b>	<b>(56,216)</b>	<b>1,348</b>

According to the regulations approved by the Bank of Lithuania, the overall open position (except EUR) of the bank's capital should not exceed 25% and the open position of each individual foreign currency (except EUR) should not exceed 15% of the bank's capital.

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**NOTE 31 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)**

The Bank has also extended loans in foreign currency. Although they are usually financed in the same currency, depending on the main currency of the debtor's cash flows, the strengthening of foreign currency against the litas may adversely affect the debtors' ability to repay the loans, which increases the probability of future losses from loans.

**NOTE 32 INTEREST RATE RISK**

The table below summarises the Bank's interest rate risks as at 31 December 2006. The Group's assets and liabilities shown at their carrying amounts categorised by the earlier of contractual reprising or maturity dates.

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
<b>Assets</b>								
Cash and balances with central banks	352,029	-	-	-	-	-	-	352,029
Due from other banks	292,253	22,199	324,298	-	-	-	18	638,768
Trading securities	1	148	2,763	18,241	1,938	1,059	-	24,150
Derivative financial instruments	2,242	262	85	917	27,097	1,887	-	32,490
Loans	394,700	1,509,176	2,963,497	288,428	385,696	231,226	45,421	5,818,144
Securities available-for-sale	135,673	342,216	21,945	30,217	-	-	342	530,393
Securities held-to-maturity	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	6,200	6,200
Intangible assets	-	-	-	-	-	-	6,806	6,806
Property, plant and equipment	-	-	-	-	-	-	93,652	93,652
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	1,392	160	748	455	62	65	4,487	7,369
<b>Total assets</b>	<b>1,178,290</b>	<b>1,874,161</b>	<b>3,313,336</b>	<b>338,258</b>	<b>414,793</b>	<b>234,237</b>	<b>156,926</b>	<b>7,510,001</b>
<b>Liabilities</b>								
Due to other banks	752,436	824,680	1,603,399	6,235	3,941	-	-	3,190,691
Derivative financial instruments	59	77	2,324	19	-	-	-	2,479
Due to customers	2,273,223	246,837	216,525	200,922	79,763	11,694	-	3,028,964
Debt securities in issue	219,835	710	-	1,795	316,669	8,329	-	547,338
Special and lending funds	9,890	-	-	-	-	-	-	9,890
Other liabilities	41,435	891	5,386	1,729	9	21	6,949	56,420
Current income tax liabilities	-	-	-	4,037	-	-	-	4,037
Deferred income tax liabilities	-	-	-	-	-	-	271	271
Subordinated loans	52,698	38,775	98,949	-	-	8,632	-	199,054
Shareholders' equity	-	-	-	-	-	-	470,857	470,857
<b>Total liabilities and shareholders' equity</b>	<b>3,349,576</b>	<b>1,111,970</b>	<b>1,926,583</b>	<b>214,737</b>	<b>400,382</b>	<b>28,676</b>	<b>478,077</b>	<b>7,510,001</b>
<b>Interest rate sensitivity gap</b>	<b>(2,171,286)</b>	<b>762,191</b>	<b>1,386,753</b>	<b>123,521</b>	<b>14,411</b>	<b>205,561</b>	<b>(321,151)</b>	<b>-</b>

The Bank's interest rate risks as at 31 December 2005 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	911,850	959,938	1,994,190	269,899	406,123	450,556	136,285	5,128,841
Total liabilities and shareholders' equity	2,660,613	924,358	895,618	199,799	94,529	23,658	330,266	5,128,841
<b>Interest rate sensitivity gap</b>	<b>(1,748,763)</b>	<b>35,580</b>	<b>1,098,572</b>	<b>70,100</b>	<b>311,594</b>	<b>426,898</b>	<b>(193,981)</b>	<b>-</b>



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**NOTE 32 INTEREST RATE RISK (continued)**

The Group's interest rate risk as at 31 December 2006 is as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
<b>Assets</b>								
Cash and balances with central banks	352,032	-	-	-	-	-	-	352,032
Due from other banks	292,253	21,029	15,125	-	-	-	18	328,425
Trading securities	1	148	2,763	18,241	1,938	1,059	-	24,150
Derivative financial instruments	2,242	262	85	917	27,097	1,887	-	32,490
Loans	394,700	1,509,176	2,963,497	288,428	385,696	231,226	45,421	5,818,144
Finance lease receivables	54,982	140,906	272,965	5,005	3,843	1,638	834	480,173
Securities available-for-sale	140,636	342,234	21,950	30,220	288	606	342	536,276
Securities held-to-maturity	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	7,096	7,096
Property, plant and equipment	-	-	-	-	-	-	108,560	108,560
Deferred tax assets	-	-	-	-	-	-	660	660
Other assets	1,391	415	748	455	62	65	44,244	47,380
<b>Total assets</b>	<b>1,238,237</b>	<b>2,014,170</b>	<b>3,277,133</b>	<b>343,266</b>	<b>418,924</b>	<b>236,481</b>	<b>207,175</b>	<b>7,735,386</b>
<b>Liabilities</b>								
Due to other banks	854,423	859,627	1,672,554	6,235	3,941	-	-	3,396,780
Derivative financial instruments	59	77	2,324	19	-	-	-	2,479
Due to customers	2,273,223	246,837	216,525	200,922	79,763	11,694	-	3,028,964
Debt securities in issue	219,835	710	-	1,795	316,669	8,329	-	547,338
Special and lending funds	9,890	-	-	-	-	-	-	9,890
Other liabilities	52,422	2,996	7,458	2,088	1,214	260	6,983	73,421
Current income tax liabilities	-	-	-	4,511	-	-	-	4,511
Deferred income tax liabilities	-	-	-	-	-	-	271	271
Subordinated loans	52,698	38,775	98,949	-	-	8,632	-	199,054
Shareholders' equity	-	-	-	-	-	-	472,678	472,678
<b>Total liabilities and shareholders' equity</b>	<b>3,462,550</b>	<b>1,149,022</b>	<b>1,997,810</b>	<b>215,570</b>	<b>401,587</b>	<b>28,915</b>	<b>479,932</b>	<b>7,735,386</b>
<b>Interest rate sensitivity gap</b>	<b>(2,224,313)</b>	<b>865,148</b>	<b>1,279,323</b>	<b>127,696</b>	<b>17,337</b>	<b>207,566</b>	<b>(272,757)</b>	<b>-</b>

The Group's interest rate risks as at 31 December 2005 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	964,115	1,059,726	1,952,793	277,394	408,804	451,368	142,935	5,257,135
Total liabilities and shareholders' equity	2,676,662	1,032,103	895,814	200,545	95,516	23,821	332,674	5,257,135
<b>Interest rate sensitivity gap</b>	<b>(1,712,547)</b>	<b>27,623</b>	<b>1,056,979</b>	<b>76,849</b>	<b>313,288</b>	<b>427,547</b>	<b>(189,739)</b>	<b>-</b>

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**NOTE 33 RELATED PARTY TRANSACTIONS**

In the normal course of business, the Bank enters into banking transactions with large shareholders, members of the Council and the Board as well as subsidiaries.

During 2006, a number of banking transactions were entered into with related parties in the normal course of business. These include settlements, loans, deposits and foreign currency transactions.

The balances of loans granted by the Bank to related parties, except for subsidiaries and associated companies, and deposits accepted as at the end of the period and their average annual interest rates:

	Balances of deposits		Average annual interest rates		Principal of loans outstanding		Average annual interest rates	
	31 December 2006	31 December 2005	2006	2005	31 December 2006	31 December 2005	2006	2005
Management of the Bank	979	282	1.21%	1.68%	889	913	3.14%	3.14%
Related parties	1,015	524	1.43%	1.17%	2,084	2,103	3.61%	3.38%

No provisions have been recognised in respect of loans given to related parties in 2006 (2005: nil).

In 2006, the total remuneration of the Group management approximated LTL 4,239 thousand (in 2005 – LTL 3,973 thousand). In 2006 the total remuneration of the Bank's management approximated LTL 3,548 thousand (in 2005 – LTL 3,443 thousand).

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

	2006	2005
<b>Liabilities</b>		
Correspondent bank accounts	438,506	-
Subordinated loans	98,949	-
Loans	105,215	-
	<b>2006</b>	<b>2005</b>
<b>Expenses</b>		
Interest	3,210	-
Fee and commission	101	-
Operating	3,719	-

The following balances were outstanding with DnB NOR Group and NORD/LB Group companies:

	2006	2005
<b>Assets</b>		
Correspondent bank accounts	3,299	685
Overnight deposits	109,280	64,597
Term deposits	4,274	4,273
Derivative financial instruments	27,377	-
<b>Liabilities</b>		
Correspondent bank accounts	1,276	330
Derivative financial instruments	2,254	-
Overnight deposits	-	52,099
Term deposits	2,327,178	286,265
Subordinated loans	52,698	52,426
Syndicated loan	-	17,287
Loans	346,444	346,103

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**NOTE 33 RELATED PARTY TRANSACTIONS (continued)**

<b>Income</b>	<u>2006</u>	<u>2005</u>
Interest	3,339	1,773
Fee and commission	111	18
Net gain (loss) from foreign exchange	(14)	(2)
Net gain (loss) from operations with financial instruments	(282)	93
<b>Expenses</b>		
Interest	60,528	5,433
Fee and commission	122	282
Operating	3,752	882

Transactions with other companies within DnB NOR Group and NORD/LB Group are entered into at interest rates comparable to those of the market.

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

<b>Assets</b>	<u>2006</u>	<u>2005</u>
Loans	310,343	221,708
Equity securities	6,200	6,200
Other assets	327	181

**Liabilities**

Demand deposits	3,227	2,910
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The main income/expenses of the Bank from transactions with subsidiaries are as follows:

<b>Income</b>	<u>2006</u>	<u>2005</u>
Interest	10,126	3,548
Fee and commission	1,244	1,022
Dividends	2,000	-
Other	233	238
<b>Expenses</b>		
Interest	17	19
Fee and commission	3	-
Operating	837	847

**NOTE 34 CONCENTRATION EXPOSURE**

As at 31 December 2006, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, amounted to LTL 90 million (total amount represents commitments to provide credit facilities), which is 14,72% of the Bank's calculated capital (2005: LTL 62 million and 14.85 % respectively).

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**NOTE 35 FUNDS UNDER MANAGEMENT BY DNB NORD INVESTICIJŲ VALDYMAS UAB**

Subsidiary DnB NORD Investicijų valdymas UAB manages the following funds:

	<u>2006</u>	<u>2005</u>
Investment funds:		
NORD/LB Money Market Fund	18,317	9,744
DnB NORD Bond Fund	3,441	972
DnB NORD Equity Fund of funds	2,544	-
2rd pillar pension funds:		
NORD/LB 1	5,698	2,692
NORD/LB 2	27,533	12,683
NORD/LB 3	26,215	11,436
3rd pillar pension fund:		
NORD/LB papildoma pensija	14,089	5,740
Value of individually managed investment portfolios	<u>3,868</u>	<u>7,429</u>
<b>Total</b>	<u>101,705</u>	<u>50,696</u>

**NOTE 36 POST BALANCE SHEET EVENTS**

On 11 December 2006 the Extraordinary Meeting of Shareholders of the Bank resolved to increase the authorized capital of the Bank up to LTL 363,691,755 through additional contributions of the Bank's shareholders. The number of shares to be issued was set at 451,791 items and the minimum price of the share issue was set at LTL 164,903,715. The subscription of these shares will be finished on 20 February 2007.

On 10 January 2007 a subsidiary of AB DnB NORD Bankas - real estate brokerage company UAB DnB NORD būstas was Registered on Legal Entities, State Enterprise Centre of Register. The authorised capital of the real estate brokerage company is LTL 1 million and is divided into 1000 ordinary registered shares with a par value of LTL 1000 each. Bank subscribed to 100 percent of ordinary registered shares issued by the closed stock company. The Bank will invest LTL 1 million into the authorized capital of the subsidiary company.