## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITOR'S REPORT</td>
<td>3</td>
</tr>
<tr>
<td>AB DNB BANKAS’ GROUP CONSOLIDATED 2011 ANNUAL REPORT</td>
<td>4</td>
</tr>
<tr>
<td>THE GROUP AND BANK INCOME STATEMENT</td>
<td>44</td>
</tr>
<tr>
<td>THE GROUP AND BANK STATEMENT OF FINANCIAL POSITION</td>
<td>46</td>
</tr>
<tr>
<td>GROUP STATEMENT OF CHANGES IN EQUITY</td>
<td>47</td>
</tr>
<tr>
<td>BANK STATEMENT OF CHANGES IN EQUITY</td>
<td>48</td>
</tr>
<tr>
<td>GROUP AND BANK STATEMENT OF CASH FLOWS</td>
<td>49</td>
</tr>
<tr>
<td>GENERAL BACKGROUND</td>
<td>51</td>
</tr>
<tr>
<td>ACCOUNTING POLICIES</td>
<td>52</td>
</tr>
<tr>
<td>FINANCIAL RISK MANAGEMENT</td>
<td>63</td>
</tr>
<tr>
<td>SEGMENT INFORMATION</td>
<td>85</td>
</tr>
<tr>
<td>NOTES TO THE FINANCIAL STATEMENTS</td>
<td>87</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

Independent auditor’s report to the shareholder of AB DNB Bankas

Report on the Financial Statements

We have audited the accompanying financial statements of AB DNB Bankas, a public limited liability company registered in the Republic of Lithuania (hereinafter “the Bank”) and consolidated financial statements of the Bank together with its subsidiaries (hereinafter the “Group”), which comprise the statement of financial position as at 31 December 2011, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management’s Responsibility for the Financial Statements

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

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 as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AB DNB Bankas and the Group as at 31 December 2011, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

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

Furthermore, we have read the accompanying Group’s Consolidated Annual Report for the year ended 31 December 2011 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2011.

UAB ERFST & YOUNG BALTIC
Audit company’s licence No. 001335

Ramūnas Bartašius
Auditor’s licence No. 000362

The audit was completed on 17 February 2012.
AB DNB BANKAS GROUP CONSOLIDATED 2011 ANNUAL REPORT

1. Reporting period covered by this report
This Consolidated Annual Report covers the period from 1 January 2011 to 31 December 2011.

2. The issuer and its contact details

<table>
<thead>
<tr>
<th>Name of the Issuer</th>
<th>AB DNB Bankas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal status</td>
<td>Joint stock company</td>
</tr>
<tr>
<td>Date and place of registration</td>
<td>Registered with the Bank of Lithuania on 13 September 1993, registration No. 29</td>
</tr>
<tr>
<td>Company code</td>
<td>112029270</td>
</tr>
<tr>
<td>Office address</td>
<td>J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania</td>
</tr>
<tr>
<td>Telephone number</td>
<td>(+370-5) 239 34 44</td>
</tr>
<tr>
<td>Fax number</td>
<td>(+370-5) 213 90 57</td>
</tr>
<tr>
<td>E-mail</td>
<td><a href="mailto:info@dnb.lt">info@dnb.lt</a></td>
</tr>
<tr>
<td>Website</td>
<td><a href="http://www.dnb.lt">www.dnb.lt</a></td>
</tr>
</tbody>
</table>

3. Main activities of the issuer

AB DNB Bankas, the registered name of which until 11 November 2011 was AB DnB NORD Bankas (hereinafter referred to as the “Bank” or the “Issuer”) is a credit institution holding a licence for and is engaged in acceptance of deposits and other repayable funds from unprofessional market players and lending, as well as provision of other financial services, and assumes the risks and liabilities related thereto.

The Bank shall provide the following financial services:

- taking of deposits and other repayable funds;
- lending (including mortgage loans);
- money transfers;
- issuing of payment cards and other payment vehicles and (or) execution of transactions with them;
- financial lease (leasing);
- issuing of financial indemnities and guarantees;
- trading, on its own account or on account of customers, in money market instruments (cheques, bills, certificates of deposits, etc.), foreign exchange, financial futures and options, foreign exchange and interest rate instruments, public trading securities, precious metals;
- investment services;
- financial brokerage (agent activities);
- cash handling;
- consultancy on credits and payments;
- rent of safe deposit lockers;
- currency exchange (cash);
- safekeeping and administration of monetary funds;
- advice to undertakings on the capital structure, manufacturing strategy and the issues related thereto as well as advice and services related to the reorganization, restructuring and acquisition of undertakings;
- provision of services related to issuance of securities;
- issuance and maintenance of electronic money;
- settlements of credit institutions (clearing);
- administration of investment funds or investment companies with a variable capital.

As of 31 December 2011 AB DNB Bankas’ Group (hereinafter referred to as “the Group”) in Lithuania consisted of AB DNB Bankas and its subsidiaries UAB DNB Investicijų valdymas, AB DNB Lizingas, UAB DNB Būstas, UAB Intractus with its subsidiaries UAB Industrius and UAB Gelužės projektai. Comprehensive data regarding the subsidiaries of the Bank and their activity are described in Article 12 of this consolidated annual report.
The organization structure of the Group and the Issuer

**DNB Bank ASA (Norway)**

- **100%**

**DNB Bank ASA**

100%

- **UAB DNB Investicijų valdymas**
  - 100%

- **UAB DNB Līzingas**
  - 75.47%

- **AB DNB Līzingas**
  - 100%

- **UAB Intractus**
  - 100%

100%

- **UAB Industrius**
- **UAB Gelužės projektai**
  - 100%

**UAB DNB Bankas**

24.53%

DNB Bank ASA, a bank registered in Norway (which until 11 November 2011 operated under the name DnB NOR Bank ASA) acquired 100 percent of shares of **AB DNB Bankas** from its fully owned Bank DnB NORD A/S registered in Denmark, becoming a sole direct shareholder of **AB DNB Bankas**, holding 100 percent of Bank shares and voting rights.

On 11 November 2011 upon the sole Bank’s shareholder **DNB NOR Bank ASA** changing its name to **DNB Bank ASA**, the Bank has registered at the Register of Legal Entities its amended Bylaws, stating that as of that date the name **AB DnB Bankas** has been changed to **AB DNB Bankas**.

On 15 February 2011 **UAB Intractus** established a subsidiary company **UAB Industrius**.

On 19 October 2011 the Bank transferred all of its shares in **UAB Gelužės projektai** to the Bank’s subsidiary **UAB Intractus**.

On 7 November 2011 the Bank acquired 25.76 percent of shares of **UAB Intractus** from its subsidiary **AB DNB Līzingas** and became its sole shareholder.

**4. Structure of the authorized capital**

On 31 December 2011 the authorized capital of the Bank was LTL 656,665,410 (six hundred fifty six million six hundred sixty five thousand four hundred ten). It is divided into 5,710,134 (five million seven hundred ten thousand one hundred thirty four) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

During the year 2011 the authorized capital of **AB DNB Bankas** has not been changed.

On 31 December 2011 the authorised capital of **AB DNB Bankas** consisted of:

<table>
<thead>
<tr>
<th>Type and class of shares</th>
<th>ISIN code of securities</th>
<th>Number of issued shares</th>
<th>Nominal value per share, LTL</th>
<th>Aggregate nominal value, LTL</th>
<th>Share in authorized capital, percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary registered shares</td>
<td>LT0000100174</td>
<td>5,710,134</td>
<td>115</td>
<td>666,665,410</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The entire authorized capital of **AB DNB Bankas** is paid up and no restrictions apply to the shares of the Bank as to their disposal.

**AB DNB Bankas** has not issued any convertible securities.

In 2011 **AB DNB Bankas** did not own its own shares nor sold to the third parties its own shares or the shares of its subsidiaries, except the aforementioned sale of all shares of **UAB Gelužės projektai** to the Bank’s subsidiary **UAB Intractus** on 19 October 2011 and acquisition of 25.76 percent of shares of **UAB Intractus** from **AB DNB Līzingas** on 7 November 2011, upon which the Bank became a sole shareholder of **UAB Intractus**.

No restrictions other than those provided by the legal acts or described in this Annual Consolidated Group Report 2011 apply to the securities of **AB DNB Bankas** and there are no requirements to receive approval from the Issuer or other holders of securities.
The history of the Issuer's authorized capital formation:

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

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

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

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

In June 2005 the largest shareholder of the Issuer, NORD/LB signed an agreement with Norway’s financial service group DnB NOR Bank ASA regarding the establishment of the new bank in the North East Europe. The newly established Bank started its activity on 2 January 2006 under the name of DnB NORD A/S and its headquarters were set in Copenhagen (Denmark).

NORD/LB formed the capital for the new Bank by selling to the latter its infrastructure, customers across Poland, Latvia, Lithuania, Estonia, Finland and Denmark. On 20 December 2005 NORD/LB transferred to the Norway’s bank DnB NOR Bank ASA 51 percent of the shares of the Bank DnB NORD A/S entitling 51 percent of votes in the general meeting of shareholders and constituting 51 percent of the authorized capital. In such a way Norwegian bank DnB NOR Bank ASA acquired an indirect control over the Issuer. The new name of the Issuer - AB DnB NORD Bankas – and the Bank’s by-laws regarding the change were registered on 12 May 2006 in the Register of Legal Entities of the Republic of Lithuania.

On 23 December 2010 NORD/LB bank transferred 49 percent of Bank DnB NORD A/S shares to Norway’s DnB NORD Bank ASA, thus increasing its indirect control of AB DnB NORD Bankas to 100 percent from 51 percent.

On 30 June 2011 DnB NOR Bank ASA registered in Norway has acquired 100 percent of shares of the Bank from Bank DnB NORD A/S, controlled by DnB NOR Bank ASA and registered in Denmark, thus becoming direct shareholder of the Bank owning 100 percent of its shares and voting rights.

5. Shareholders

On 31 December 2011 DnB Bank ASA was the sole shareholder of AB DNB Bankas, that owned 100 percent of the bank’s registered authorized capital of LTL 656,665,410.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Office address</th>
<th>Type of the company</th>
<th>Code</th>
<th>Number of ordinary registered shares</th>
<th>Share of the authorized capital held and number of votes, percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNB Bank ASA</td>
<td>Strandens 21, Aker Brygge, N-0021 Oslo, Norgeigja</td>
<td>Bank</td>
<td>984851006 MVA</td>
<td>5,710,134</td>
<td>100</td>
</tr>
</tbody>
</table>

The shareholders of the Issuer shall have the following property rights:
- To receive a share of the profit of the Bank (dividend);
- To receive funds of the Issuer if the authorized capital of the Issuer is decreased on purpose to disburse funds of the Issuer to the shareholders;
- To receive a share of the assets of the Issuer in the event of liquidation;
To receive shares free of charge when the authorized capital is increased from the Bank’s own funds, except in the events stipulated in laws;

In case the shareholder is a natural person, to devise and bequeath all or any part of the shares to one or several persons;

To sell or otherwise transfer all or any part of the shares to the ownership of other persons in the procedure and under the conditions prescribed in laws;

To exercise the pre-emption right in acquisition of the shares or convertible bonds issued by the Issuer unless the General Meeting decides to withdraw the pre-emption right from all the shareholders in the procedure prescribed in laws;

To lend to the Issuer in the manner prescribed in laws; however, when borrowing from its shareholders, the Issuer shall not pledge its assets to the shareholders. When the Issuer borrows from a shareholder, the interest shall not be higher than the average interest rate offered by commercial banks of the place of residence or business of the lender effective on the date of conclusion of the loan agreement. Thus the Issuer and the shareholders shall be prohibited from negotiating a higher interest rate;

Other property rights stipulated in laws.

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

To participate in the General Meetings of Shareholders;

To cast the votes granted by the shares held in the General Meetings of Shareholder;

To receive the information about the Bank to the extent specified in the Law on Companies;

To appeal to the court for the compensation of the damage suffered by the Bank due to the failure to perform the obligations of the President and the Members of the Management Board of the Bank stipulated in laws and the Bylaws of the Bank, or to perform them duly, and in other cases stipulated in laws.

Other non-property rights stipulated in laws.

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

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

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

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

As of 31 December 2011 the following ISDA Master Agreements and TBMA/ISMA Global Master Repurchase Agreement, whereby the counterparties thereto have the right to terminate the transactions with the Issuer in case of a change in the Issuer’s control, were in force:

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

As of 31 December 2011 the Issuer also had the Finance Contract dated 13 March 2009 with the European Investment Bank, whereby the European Investment Bank has the right to terminate the Finance Contract in case of a change in the Issuer’s control if, in the reasonable opinion of the European Investment Bank, such a change in the Issuer’s control has or is likely to have a material adverse effect on the future repayment of the loan received under the Finance Contract.

As of 31 December 2011 the Issuer had no other significant arrangements that would be enforced, changed or terminated as a result of the change in the Issuer’s control.

7. Information on securities listed on regulated markets

As of 31 December 2011 the following debt securities of AB DNB Bankas were listed on regulated markets:

<table>
<thead>
<tr>
<th>Name of securities (ISIN code)</th>
<th>Regulated market</th>
<th>Number of securities</th>
<th>Nominal value per unit</th>
<th>Aggregate nominal value</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero coupon note issue No.3/2012 (LT0000402489)</td>
<td>NASDAQ OMX Vilnius Stock Exchange list of debt securities</td>
<td>150,000</td>
<td>100 (LTL)</td>
<td>15,000,000 (LTL)</td>
<td>05 03 2012</td>
</tr>
<tr>
<td>Fixed rate note issue No. 10/2013 (LT0000431132)</td>
<td>NASDAQ OMX Vilnius Stock Exchange list of debt securities</td>
<td>350 000</td>
<td>100 (LTL)</td>
<td>35,000,000 (LTL)</td>
<td>07 10 2013</td>
</tr>
<tr>
<td>Fixed rate note issue No. 05/2015 (LT0000405052)</td>
<td>NASDAQ OMX Vilnius Stock Exchange list of debt securities</td>
<td>150 000</td>
<td>100 (LTL)</td>
<td>15,000,000 (LTL)</td>
<td>07 05 2015</td>
</tr>
</tbody>
</table>
Securities of the other Issuer’s Group companies are not traded on regulated markets.

The Issuer is engaged in public trading brokerage activities; relevant transactions are performed by the Markets Department of the Bank.

8. Main characteristics of debt securities issued for public trading

As of 31 December 2011 the par value of debt securities issued by AB DNB Bankas for public trading constituted LTL 111 million.

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

The main characteristics of the debt securities issued by the Issuer are provided in Annex 1 of this Consolidated 2011 Annual Report.

9. Information on relevant agreements with related parties

Information on relevant agreements with related parties is provided in Note 38 of the Financial Statements of the Consolidated Annual Report 2011.

10. Material events over the reporting period

In 2011 AB DNB Bankas’ Group that operated under DnB NORD name until 11 November 2011 notified of the following material events:

On 10 February 2011 the Bank notified that according to preliminary unaudited data calculated in accordance to International financial reporting standards, the consolidated net loss of the Group was LTL 113.1 million (EUR 32.8 million) in full year 2010. Net loss of the Bank was LTL 122.6 million (EUR 35.5 million) within the period. In the fourth quarter of 2010 the Group earned a net profit of LTL 35.1 million (EUR 10.2 million) while the Bank’s net profit was LTL 14.9 million (EUR 4.3 million).

On 24 February 2011 the Bank notified that on 28 February 2011 the chairman of the Supervisory Council Thomas Stephan Buerkle and the member of the Supervisory Council Andris Ozolins will resign from the positions. By the decision of the sole shareholder of the bank - Bank DnB NORD A/S - Terje Ternes, head of DnB NOR Bank ASA Baltic and Poland Division was elected to the Supervisory Council from 1 March 2011 until expiry of the term of office of the Supervisory Council.

On 25 February 2011 the Bank presented unaudited Group and the Bank’s interim condensed financial statements for the fourth quarter of 2010 prepared in accordance with International Financial Reporting Standards and confirmed by the management.

On 7 March 2011 the Supervisory Council of the Bank elected Terje Ternes, the head of the Baltic and Poland division of DnB NOR Bank ASA, as its chairman.

On 21 March 2011 Fitch Ratings agency affirmed the long-term issuer default rating for the Bank at ‘A’ with stable outlook. The agency also affirmed the bank’s short-term IDR rating at ‘F1’, individual rating at ‘D/E’ and support rating at ‘I’. It was announced that going forward no separate ratings shall be set for the Bank from 21 March 2011.

On 29 March 2011 the sole shareholder of the Bank - Bank DnB NORD A/S:

1. acknowledged 2010 Consolidated Annual Report of the Bank;

2. approved separate and consolidated financial statements of the Bank of 2010;

3. distributed the profit (loss) of the Bank. It was decided to transfer the amount of LTL 172.6 million (EUR 49.99 million) from the Bank’s reserve capital to cover the Bank’s distributable loss. It was also decided to transfer the LTL 77.1 million (EUR 22.3 million) in retained loss to the next financial year;

4. elected close stock company „Ernst & Young Baltic” as an audit firm to perform audit of the annual financial statements of the Bank for the year 2011 and authorized the president of the Bank to establish the other terms and conditions of the Agreement on auditing services with audit firm according to the approved by the sole shareholder remuneration amount;

5. approved the amendment of the Bylaws of the Bank regarding the meeting quorum of the Management Board and set the Article 8.9 of the Bylaws of the Bank as follows:

“8.9. Any meeting of the Management Board shall be deemed held and the Management Board may take decision therein when 2/3 and more of the Management Board Members participate in the meeting of the Management Board. Any Member of the Management Board may express his/her will to vote for or against the discussed decision, upon scrutiny of the draft thereof, by a written vote in advance. The Management Board Members who have voted in advance shall be deemed to participate in the meeting. The decision of the Board shall be adopted if more than a half of elected Board members votes for it are received. Decisions of the Management Board may also be taken by circulation of the voting ballot among the Management Board Members if none of the Management Board Members objects to such procedure. Each Member of the Management Board shall have one vote. In the event of a tie vote, the Chairman of the Management Board shall have the casting vote. Should, in case of a tie vote, the Chairman of the Management Board not participate in the meeting or not participate in the voting on the decision, the decision shall be deemed not taken. The voting by the terminal equipment of telecommunications shall be equivalent to the voting in writing provided that the confidentiality of the communications is guaranteed and there are means for the verification of the signature. The Management Board Member shall have no right to vote on the issue related to his/her work on the Management Board or the issue of his/her liability.”
6. elected Mr. Ola Landmark to the Supervisory Council of the Bank until expiry of the term of office of the supervisory Council and established that the newly elected member of the Supervisory Council Ola Landmark will start the office following the receipt of the permission from the Central Bank of Republic of Lithuania to become a manager of the Bank.

On 29 March 2011 the Bank presented its full year 2010 financial statements that included audited separate and consolidated financial statements prepared in accordance with International Financial Reporting Standards and consolidated annual report assessed by the auditors. The documents were approved by the Bank’s sole shareholder – Bank DnB NOR A/S - on 29 March 2011.

On 4 April 2011 the Bank notified, that Bjørnar Lund, the general regional manager of Norway’s DnB NOR Bank ASA, has been appointed the chairman and chief executive officer of the Bank. It was announced that following the receipt of the permission from the Central Bank of Republic of Lithuania to become a manager of the Bank, he will replace dr. Vygingas Bubnys who will return to his previous position in the Bank as deputy chairman of the management board and vice-president of the Bank.

On 19 April 2011 the Bank notified that on 13 April 2011 the amended by-laws of the Bank were registered with the Register of the Legal Entities. The amendments of the by-laws were made regarding the change of legal regulation of the meeting quorum of the management board of the Bank. The by-laws were amended in line with the decision of the sole shareholder of the Bank – Bank DnB NOR A/S – as of 29 March 2011. The wording of the section VIII Article 8.9 of the by-laws was set as following:

“8.9. Any meeting of the Management Board shall be deemed held and the Management Board may take decision therein when 2/3 and more of the Management Board Members participate in the meeting of the Management Board. Any Member of the Management Board may express his/her will to vote for or against the discussed decision, upon scrutiny of the draft thereof, by a written vote in advance. The Management Board Members who have voted in advance shall be deemed to participate in the meeting. The decision of the Board shall be adopted if more than a half of elected Board members votes for it are received. Decisions of the Management Board may also be taken by circulation of the voting ballot among the Management Board Members if none of the Management Board Members objects to such procedure. Each Member of the Management Board shall have one vote. In the event of a tie vote, the Chairman of the Management Board shall have the casting vote. Should, in case of a tie vote, the Chairman of the Management Board not participate in the meeting or not participate in the voting on the decision, the decision shall be deemed not taken. The voting by the terminal equipment of telecommunications shall be equivalent to the voting in writing provided that the confidentiality of the communications is guaranteed and there are means for the verification of the signature. The Management Board Member shall have no right to vote on the issue related to his/her work on the Management Board or the issue of his/her liability.”

On 6 May 2011 the Bank notified that according to preliminary unaudited data calculated in accordance to International financial reporting standards the Bank earned LTL 22.3 million (EUR 6.5 million) net profit in the first quarter of 2011.

On 20 May 2011 the Bank supplemented 2010 financial statements released on 29 March 2011 with the confirmation letter of the responsible persons.

On 26 May 2011 the Bank of Lithuania notified that its board of directors had no objections for Norway registered DnB NOR Bank ASA to become the sole direct shareholder of the bank through acquisition of 100 percent shares of the Bank from its fully owned Danish bank Bank DnB NOR A/S.

On 9 June 2011 the Bank notified that Tadas Sudnius, the member of the Management Board of the Bank, resigned from the office from 9 June 2011 following his appointment as the advisor to the Bank’s president full time dedicated to the implementation of the Bank’s new core banking system and its integration with DnB NOR Bank ASA. It was announced that after the completion of the project implementation, expected to take 18 to 24 months, Tadas Sudnius will return back to his previous position of the member of the Bank’s Management Board. Vaineta Barevičiūtė, the head of the Bank’s Internal audit department, has been nominated to replace Tadas Sudnius on the Management Board after the relevant permission from the Central Bank of the Republic of Lithuania was received.

On 21 June 2011 the Bank notified that Torstein Hagen, the member of the Bank’s Supervisory Council, will resign from the office from 30 June 2011.

On 30 June 2011 the Bank notified that on 1 July 2011 Vaineta Barevičiūtė will take her office of a member of the Bank’s Management Board and executive vice president in charge of back office operations.

On 1 July 2011 the Bank announced it has been notified that on 30 June 2011 DnB NOR Bank ASA has acquired 100 percent of shares of the Bank from Bank DnB NOR A/S; controlled by DnB NOR Bank ASA, thus becoming direct shareholder of the Bank owning 100 percent of its shares and voting rights.

On 12 July 2011 the Bank notified that according to preliminary unaudited data calculated in accordance to International financial reporting standards, the Bank earned LTL 36.2 million (EUR 10.5 million) net profit in the first six months of 2011.

On 30 August 2011 the Bank presented its interim consolidated unaudited report for the first six months of 2011, unaudited interim condensed financial information prepared in accordance with International Financial Reporting Standards and confirmation of responsible persons.

On 19 September 2011 the Bank notified that following the resolution of the Bank which is the sole shareholder of UAB DnB NOR Lizingas, the legal status of the subsidiary was changed from private limited company to joint stock company with 100 percent of its shares owned by the Bank. The amended incorporation documents that reflected the change of the legal status of the subsidiary were registered with the Register of Legal Entities of the state enterprise “Centre of Registers” on 15 September 2011.
On 20 September 2011 the Bank notified that on 19 September 2011 the sole shareholder of the Bank - DnB NOR Bank ASA - decided to change the name of the Bank to AB DNB Bankas. It was announced that the name of the Bank shall be changed upon receipt of the permit by the Bank of Lithuania and registration of the respective amendments to the by-laws of the Bank in the Register of Legal Entities of the Republic of Lithuania, i.e. in effect from 11 November 2011.

On 12 October 2011 the Bank notified that on 11 October 2011 the reserve capital of the Bank was increased by EUR 105.5 million (LTL 364.3 million) by monetary contribution of the sole shareholder DnB NOR Bank ASA. The reserve capital was increased due to the planned early repayment of nine subordinated loans. The largest subordinated loan amounts were repaid by the Bank to Bank DnB NORD A/S and DnB NOR Bank ASA on 12 October 2011.

On 27 October 2011 the Bank notified that according to preliminary unaudited data calculated in accordance to International financial reporting standards, the Bank earned LTL 64.3 million (EUR 18.6 million) net profit in the first nine months of 2011.

On 11 November 2011 the Bank notified the amendments to the by-laws of AB DnB NORD Bankas have been registered at the Register of Legal Entities of the Republic of Lithuania which state that from 11 November 2011 the Bank’s name is AB DNB Bankas. Following the change of the Bank’s name, the registered address of the Bank, its legal status, legal entity code and the register where the data about the company is collected and stored as well as VAT payer’s code remained the same. Account numbers also remained unchanged, all concluded agreements continued to be in effect. Starting that date all banks that were part of Norway’s largest financial services group in 19 countries world-wide, including Lithuania, started operating under the same DNB brand name. The new name of the Bank – AB DNB Bankas - reflected that its sole shareholder is Norway’s DNB Bank ASA (DnB NOR Bank ASA until 11 November 2011).

On 24 November 2011 the Bank notified that the management board member Fredrik Johannes Borch resigned from his position in the Bank from 1 December 2011. It was announced that Anne Birgitte Prestholdt, the head of Risk and Quality unit of DNB Bank ASA, will replace Fredrik Johannes Borch on the Bank’s Management Board following the receipt of the permission of the Bank of Lithuania.

On 25 November 2011 the Bank presented its unaudited group and the Bank’s interim condensed financial statements for the first three quarters of 2011 prepared in accordance with International Financial Reporting Standards and confirmed by the management.

Full information on material events related with the Issuer’s activities is presented to the Securities Commission of the Republic of Lithuania, the Central storage facility, AB NASDAQ OMX Vilnius Stock Exchange, the daily Lietuvos Rytas, news agencies BNS and ELTA and is available on the Bank’s website www.dnb.lt.

11. Information on performance results

In 2011 AB DNB Bankas Group operated with a profit. Increasing operating efficiency, proper management of the quality of the loan portfolio as well as active and consistent efforts to deliver quality financial services that correspond to customer needs were the major factors behind the financial result achieved.

In 2011 AB DNB Bankas Group extended LTL 1.6 billion of new credits and its net loan portfolio totaled LTL 8.52 billion as at the end of December. In the second half of the year the faster growth of the new loan portfolio was affected by a more cautious stand of some customers who put on hold implementation of some investment projects assessing the possible impact of debt crisis in Europe on their key export markets. As the result the Group’s net loan portfolio eased 2.0 percent year on year.

With a number of customers increasing and funds on individual and corporate deposit accounts growing, the Group’s deposit portfolio rose 19.0 percent year on year to LTL 5.15 billion in 2011.

In 2011 the Group’s income rose and the expenses declined. The Group’s operating and other expenses went down 12 percent year on year to LTL 182.8 million as its net income rose 1.0 percent year-on-year to LTL 340.9 million. Net interest income made the largest relative weight of the total income of 67.9 percent. Non-interest income of the Group accounted for 32.1 percent of the total net operating income.

In line with decreasing customer risks the Group set aside LTL 82.8 million for special provisions in 2011, the amount three times lower compared to the same period the year before. As a result AB DNB Bankas earned the net profit of LTL 81.0 million in 2011 while the Group’s net profit for the period amounted to LTL 74.3 million.

As of 31 December 2011 the Group’s return on equity (ROE) was 6.8 percent and its cost/income ratio (CIR) was 53.6 percent.

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Bank</td>
<td>Group</td>
<td>Bank</td>
</tr>
<tr>
<td>Return on equity (percent)</td>
<td>8.3</td>
<td>8.4</td>
<td>-46.5</td>
<td>-45.9</td>
</tr>
<tr>
<td>Cost/income ratio (percent)</td>
<td>53.3</td>
<td>51.9</td>
<td>44.4</td>
<td>41.3</td>
</tr>
</tbody>
</table>

Following implementation of efficient sales management programme, the Group continued to focus its efforts on service quality, volume of sales and the range of products offered to its customers to further build the number of existing and new customers who choose DNB as their home bank and encourage them to actively use various financial services of the Group. As a result the number of corporate and individual customers rose by 60.4 thousand having positive impact on the Group’s income.
As at the end of 2011 the Group served 716 thousand individual and corporate customers through the country’s second largest customer service network of 79 banking outlets with self-service terminals installed in each of them. At the end of year customers of the Bank enjoyed the largest ATM network in Lithuania using the common DNB and SEB network of 528 ATMs in 73 cities and towns countrywide on the same service terms. In the reporting year the Bank became even more accessible to its customers via its call centre operating the longest hours in Lithuania’s banking sector, also on Facebook and smart-phones.

The Bank issued 97.5 thousand new payment cards to its customers, the number representing a 14 percent rise compared with the corresponding period the year before. Therefore the number of outstanding payment cards issued by AB DNB Bankas rose to 489 thousand as at the end of 2011.

In the reporting year 93.7 percent of all money transfers were effected via internet banking system as the number of AB DNB Bankas internet banking service users increased 17.3 percent year-on-year to 495 thousand.

Following integration to the Norway’s largest financial services group, the Bank optimized its correspondent banking by centralizing its major transfer flows via DNB Bank ASA in the reporting year and also became the first bank in the market to offer savings option in Norwegian currency to its customers. It also offered a solution for private and corporate customers who study, work or intend to start a business in Norway or the Baltic countries to open an account and manage it using internet banking before leaving their home country.

At the same time AB DNB Bankas has fully completed SEPA (Single Euro Payments Area) Credit Transfer implementation through indirect participation in EBA STEP2 SEPA Credit Transfer clearing house providing customers with the opportunity not only to receive the SEPA payment orders, but also to initiate them. In June of 2011 AB DNB Bankas has indirectly connected to TARGET2 clearing house allowing bank to provide faster and better quality fund transfer services in euro currency to its customers.

In June Deutsche Bank AG, one of the largest settlement banks worldwide, awarded AB DNB Bankas with the EUR Straight-Through-Processing Excellence Award for the exceptional quality of payment messages for the fifth year running. The quality of drafting and sending of a money order means that funds of customers at AB DNB Bankas reach the beneficiary in a prompt and safe way.

To ensure high level of financial services AB DNB Bankas performed mystery shopping customer satisfaction surveys. These surveys measured customer service quality and customer satisfaction at AB DnB NORD Bankas in different aspects - from general service quality up to functionality of individual products. The surveys' results allow for identifying of strengths and set priority actions for further improvement. As the result AB DNB Bankas was ranked among top quality banking service providers in the local industry for the third year running, independent Spect Dive market research showed.

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

Retail banking

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

Aiming at further increase in the number of existing and new customers who choose DNB as their home bank and encourage them to use various banking services more actively, in 2011 the Bank continued focusing on individual customer service quality and culture, the implementation of processes facilitating a more flexible dealing with customer needs, enhancing awareness of the Bank’s brand, services and products.

In line with the recovery seen on the mortgage market, the Bank continued developing further the mortgage loan program “Your first home” offering customers freedom to repay credit early free of charge, protection from unexpected market rates hikes and in the event of temporary financial difficulties - a possibility to postpone a monthly credit instalment once per year. Besides, consulting by a real estate expert was made available at the customer's request, discounts were offered by the Bank’s partners for property and life insurance as well as goods necessary for home renovation or decoration. The Bank updated its processes and procedures to fully comply with the Responsible lending regulations passed by the Bank of Lithuania effective from 1 November 2011.

To encourage customers start using the Group's financial services, in 2011 the Bank offered a lucrative package to new customers who transfer their salaries to AB DNB Bankas accounts. In view of different customer needs during various spans of their lives, the bank designed special programs for senior citizens and for Lithuanian residents working abroad.

After winning the tender to extend government-backed credits to finance higher school studies, the Bank extended students credits at terms ranked among the best on the market, also designing a special service package for the segment. As a result AB DNB Bankas accounted for over one fourth of the market in 2011 in terms of the number of government-backed credits extended, according to State Studies’ Fund data.

Considering the needs of customers who study or work in Norway, AB DNB Bankas was the first in the market to offer an alternative for saving - term deposits in Norwegian currency. During the European Men’s Basketball Championship the bank also offered a possibility for basketball fans to place a BASKETBALL DEPOSIT®. The interest on that deposit increased with each victory of the Lithuanian national basketball team. As an alternative savings option, the Bank was distributing RoL government bonds and other sovereign bonds to individual customers.

In August of 2011 the Bank offered the market a new credit card DNB Power Card. This credit card has all usual credit card features, including 24 h. technical support package available to the card holders and zero percent credit limit up to 46 days.
To enable the customer to enjoy various services at the Bank, in 2011 AB DNB Bankas continued collaboration with ERGO Life Insurance SE and UAB DK PZU Lietuva. As a result of active sales of insurance services, in 2011 over 50 percent of new mortgage borrowers of AB DNB Bankas were insured with life insurance, over 75 percent of new mortgage borrowers were insured with property insurance, and more than 80 percent of new express credit borrowers were insured with life insurance and the total number of insured payment cards exceeded 120,000. Travel insurance service conditions for classic, business and gold cardholders were improved, and cardholders’ accident insurance sales were successful.

AB DNB Bankas intensified its work with partners to expand the range of its services and products. As the cooperation with mediators was intensified, the biggest increase was seen in the number of attracted mortgage loans, and the customers have better and easier access to required information and consulting.

Corporate banking and small and medium size enterprises (SME)

Benefitting from its long-term constructive relationships with its customers the Bank consolidated its strong positions in corporate banking sector in 2011. Alongside with the increasing number of corporate customers who choose DNB as their home bank, the number of corporate clients rose by 3.8 thousand to 55.5 thousand. This reflects the efficiency of the Bank’s customer centric approach in understanding and offering financial services and solutions that correspond to the customer expectations and financial needs.

With the country’s economy growth positively affecting the operating environment, the Bank saw an increasing demand for funding of financial and investment projects while the customer risks have somewhat declined. However, in the second half of the year the debt crisis in Europe negatively affected business sentiment and investment plans of some businesses slowing credit demand growth. The Bank’s loan portfolio to the public and agricultural related industries as well as export oriented economy sectors increased the most during the year 2011. Compared to the start of 2011, real estate transactions were still declining. The Bank’s loan portfolio for manufacturing, trade and service sectors stabilized during the reporting period due credit restructuring efficiency.

In 2011, AB DNB Bankas paid major attention to small and medium size enterprises (SMEs) by offering the solutions to meet the specific needs of this business segment. The Bank was the first in the market to offer a possibility to open a cumulative account and form the authorized capital of the company on-line. Moreover, the Bank designed a special solution for business start-ups VITAMINAI STARTU® (vitamins for business start-up), that helps the newly established companies to grow their business under more favourable financial terms. To already existing enterprises AB DNB Bankas offers one of BANKO ABONAMENTAS™ which helps to manage the enterprise’s expenses for daily banking services more efficiently. For investment credit takers the Bank offered a unique option to postpone a credit installment once in a year in 2011. The Bank’s relationships with SME segment were positively influenced by allocation of a personal relationship manager to each SME customer.

Agriculture and food processing sectors are among the most important strategic directions for AB DNB Bankas. For this reason, in 2011 the Bank further extended loans to farmers and agricultural enterprises for working capital and investments and continued cooperation with the state agricultural credit fund UAB „Žemės ūkio paskolų garantijų fondas“, extending credits secured by guarantees of this state institution and preferential credits under Rural Development Programme 2007 – 2013 administrated by the Credit Fund.

In the reporting year the Bank expanded cooperation with partners trading in goods for agricultural sector under more favourable financing conditions to farmers, agricultural companies and other enterprises purchasing products from the partners. The major advantage of these programmes is that farmers get interest-free financing without collateral as the credits are backed by guarantees of the state rural credit guarantee fund UAB “Žemės ūkio paskolų garantijų fondas“, while the seller of the production pays the interest on the credit to the bank.

During the reporting year the Bank continued cooperation with UAB „Investicijų ir verslo garantijos“ extending microcredits and loans backed by guarantees of this state institution.

The Bank, in cooperation with the leasing and investment management subsidiaries, offered corporate customers a variety of solutions to meet the borrowing, investment and payment needs of companies. Beneficial offers were made not only for businesses but also for employees of the corporate customers.

Investment Banking

AB DNB Bankas investment banking activity includes trading in securities, liquidity management, funding arrangement for the bank and its subsidiaries, full service brokerage services, provision of leverage solutions for private and corporate customers including derivative and structured products, as well as corporate finance services, including M&A advisory and fund-raising.

In 2011, the main sources of investment banking income were foreign exchange and securities brokerage. Foreign exchange turnover in 2011 exceeded LTL 40.1 billion and generated LTL 7.4 million income for the Bank. Securities brokerage income reached LTL 3.4 million on turnover of LTL 4.9 billion.

DNB Trade™ on-line platform showed a rapid increase in trading activity in 2011. The turnover effected through the platform grew by 218 percent to LTL 27.3 billion. DNB Trade™ is an electronic real-time trading platform, which offers wide choice of financial instruments worldwide including FOREX, equities (over 20 borses), CFDs and futures.

12. Bank’s subsidiaries

As of 31 December 2011 AB DNB Bankas’ Group consisted of AB DNB Bankas and its subsidiaries UAB DNB Investicijų valdymas, AB DNB Lizingas, UAB DNB Būstas, UAB Intractus with its subsidiaries UAB Industrius and UAB Gėlužės projektai.

The Bank’s subsidiaries had no outstanding agreements with public circulation intermediaries as at the end of 2011.
The Bank's asset management subsidiary UAB DNB NORD Investicijų Valdymas offers services of management of pension and investment funds. On 31 December 2011 AB DNB Bankas was the sole shareholder of UAB DNB Investicijų valdymas that owned 100 percent of its registered authorized share capital of LTL 2,000,000.

The bank's asset management subsidiary UAB DNB Investicijų valdymas is active in management of pension and investment funds.

The company is ranked third in the country’s asset management market. Company held about 88,9 thousand outstanding contracts and managed three own second pillar pension funds, two third pillar pension funds and two investment funds. Its total assets under management 11.9 percent year-on-year or LTL 58,9 million to LTL 553.8 million as at the end of 2011.

UAB DNB Investicijų valdymas also provided investment portfolio management services for UAGDB PZU Lietuva life insurance and AB Ergo Lietuva life insurance companies. According to these agreements company has established 10 different strategy investment funds. Company also provides investment portfolio management services for other legal customers.

In 2011 the company operated profitably, its return of equity (ROE) was 36.5 percent and its cost income ratio (CIR) was 30.8 percent.

Important 2011 events affecting operations of UAB DNB Investicijų valdymas:

- At the end of 2011, during the debates of the country’s 2012 budget law based on on lower than anticipated gross domestic product (GDP) growth, the Parliament reduced once again contribution rate to 2nd pillar pension funds to 1.5 percent from 2 percent. This will have a negative impact on customers’ accumulated assets and UAB DnB NORD Investicijų Valdymas income in 2012. The intention is to increase contribution rate to 2.5 percent in 2013.

- On 11 November 2011 the company’s name was changed from UAB DnB NORD Investicijų valdymas to UAB DNB Investicijų valdymas.
Assets under management structure in 2011 compared to 2010 and 2009

The performance of the funds as of 31 December 2011

<table>
<thead>
<tr>
<th>Name</th>
<th>Investment strategy</th>
<th>Result for 2011</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2nd Pillar Pension Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DNB pensija 1</td>
<td>Government bonds</td>
<td>1.09%</td>
<td>0.24%</td>
</tr>
<tr>
<td>DNB pensija 2</td>
<td>Equities up to 25%</td>
<td>-1.84%</td>
<td>-2.00%</td>
</tr>
<tr>
<td>DNB pensija 3</td>
<td>Equities up to 50%</td>
<td>-5.06%</td>
<td>-4.38%</td>
</tr>
<tr>
<td><strong>3rd Pillar Pension Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DNB papildoma pensija</td>
<td>Equities up to 50%</td>
<td>-6.33%</td>
<td>-4.38%</td>
</tr>
<tr>
<td>DNB papildoma pensija 100</td>
<td>Equities up to 100%</td>
<td>-11.15%</td>
<td>-9.50%</td>
</tr>
<tr>
<td><strong>Investment Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DNB pinigų rinkos fondas</td>
<td>Short bonds and deposits</td>
<td>1.37%</td>
<td>1.32%</td>
</tr>
<tr>
<td>DNB akcijų fondų fondas</td>
<td>Equities</td>
<td>-13.22%</td>
<td>-9.50%</td>
</tr>
</tbody>
</table>
AB DNB Lizingas

Name: AB DNB Lizingas
Legal status: Joint stock company
Date and place of registration: Registered with the State enterprise Centre of Registers on 6 March 1998
Company code: 124385737
Registered office address: Žalgirio str. 92, Vilnius, Republic of Lithuania
Actual office address: J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number: (+370 5) 2393 030
Fax number: (+370 5) 2393 031
E-mail: lizingas@dnb.lt
Website: www.dnb.lt

AB DNB Lizingas, which acted under AB DnB NORD Lizingas name until 11 November 2011, is the Bank’s subsidiary, that provides vehicle, agriculture machinery, equipment and real estate leasing services to corporates and private individuals. To customer convenience AB DNB Lizingas services are provided using nation-wide AB DNB Bankas branch network. As at 31 December 2011 AB DNB Bankas owned 100 percent of registered authorized AB DNB Lizingas capital of LTL 150,000.

Despite the country’s economic stabilization and export recovery in 2011, that positively affected transport sector and private cars sales, the leasing market continued to shrink year-on-year in 2011 adversely affecting the company’s results. In the declining market AB DNB Lizingas leasing portfolio before provisions fell 21 percent year-on-year to LTL 374 million. Individual client’s leasing portfolio decreased by 8.5 percent year-on-year to LTL 31.9 million as at the end of December 2011.

To counter market trend AB DNB Lizingas continued to focus on its portfolio quality, credit risk management, and further improvement of customer service quality and increase of new sales.

On 15 September 2011 State Enterprise Centre of Registers registered the company’s by-laws stipulating the company's legal status was changed to joint stock from limited liability company.

On 7 November 2011 the company transferred all of its UAB Intractus shares to AB DNB Bankas.

On 23 November 2011 AB DNB Bankas, the sole shareholder of the leasing subsidiary, decided to increase the company’s share capital to LTL 130,150,000. The company’s authorised capital increased after registration of the respective amendment of the company’s by-laws in the registry of State Enterprise Centre of Registers.

UAB DNB Būstas

Name: UAB DNB Būstas
Legal status: Limited liability company
Date and place of registration: Registered with the State enterprise Centre of Registers on 10 January 2007
Company code: 300631876
Registered office address: Švitrigailos str. 11M, LT-03228 Vilnius, Republic of Lithuania
Actual office address: Švitrigailos str. 11M, LT-03228 Vilnius, Republic of Lithuania
Telephone number: (+370 5) 2499 277
Fax number: (+370 5) 2499 276
E-mail: info@dnbbustas.lt
Website: www.dnbbustas.lt

UAB DNB Būstas is engaged in providing brokerage services in the country’s real estate market. The company also sells franchises to real estate brokerage companies and individual brokers. On 31 December 2011 AB DNB Bankas owned 75.47 percent of UAB Intractus registered authorized capital of LTL 1,378,000 and 24.53 percent of it was owned by the Bank’s subsidiary AB DNB Lizingas.

In the reporting year the company carried out its activities in Vilnius, Kaunas, Klaipėda, Mažeikiai, Akmenė and Skuodas and the surrounding regions. At the end of the reporting period the real estate brokerage companies and 38 individual brokers were providing real estate brokerage services under franchise agreements with UAB DNB Būstas. During the reporting period UAB DNB Būstas retained its leading position in newly constructed residential segment and was among three largest real estate brokerage companies in terms of sales and number of listings.

In 2011 UAB DNB Būstas income increased to 1.6 million litas, up from 1.3 million litas the year before. During the reporting period UAB DNB Būstas brokers sold real estate assets worth 98.6 million litas and mediated to customers mortgage loans of the Bank worth 39.4 million litas.
**UAB Intractus**

<table>
<thead>
<tr>
<th>Name</th>
<th>UAB Intractus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal status</td>
<td>Limited liability company</td>
</tr>
<tr>
<td>Date and place of registration</td>
<td>Registered with the state enterprise Centre of Registers on 6 August 2009</td>
</tr>
<tr>
<td>Company code</td>
<td>302424698</td>
</tr>
<tr>
<td>Registered office address</td>
<td>J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania</td>
</tr>
<tr>
<td>Actual office address</td>
<td>Vilniaus str. 18, Vilnius, Republic of Lithuania</td>
</tr>
<tr>
<td>Telephone number</td>
<td>(+370 5) 2393 227</td>
</tr>
<tr>
<td>Fax number</td>
<td>(+370 5) 2393 265</td>
</tr>
<tr>
<td>E-mail</td>
<td><a href="mailto:intractus@intractus.lt">intractus@intractus.lt</a></td>
</tr>
<tr>
<td>Website</td>
<td>-</td>
</tr>
</tbody>
</table>

UAB Intractus limited is a limited liability company set up for efficient management of foreclosed real estate assets. The company is entitled to effect operations related to the efficient management of real estate, such as buying, selling, letting of real estate. On 31 December 2011 AB DNB Bankas was the sole shareholder of UAB Intractus that owned 100 percent of its registered authorized capital of LTL 76 160 100.

At the end of reporting date UAB Intractus owned two subsidiaries companies. Real estate assets on the joint companies’ balance sheet stood at LTL 139 million as at the end of the reporting date, including real estate like land plots, buildings and premises.

On 15 February 2011 UAB Intractus established subsidiary company UAB Industrius (company code 302593805). UAB Industrius authorized capital is LTL 10 000 and all of its ordinary registered shares 100 percent are owned by UAB Intractus. The company was established for the administration of real estate assets which may have specific legal consequences.

On 19 October 2011 UAB Intractus acquired 100 percent ordinary registered shares in UAB Gėlužės projeiktai from AB DNB bankas. UAB Gėlužės projeiktai is a limited liability company (company code 300135524). UAB Gėlužės projeiktai authorized capital at the end of the reporting date was LTL 21.1 million. The company develops one project.

### 13. Risk management and ratings

The aim of risk management in AB DNB Bankas group is assuring an acceptable return on equity pursuing the conservative policy of risk management.

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

The Bank assesses and manages credit, liquidity, market (interest rate, foreign exchange rate, equity price), operational and other financial risks it is exposed to in its activities. Credit risk is the dominant in the Bank’s risk structure. Detailed information about financial risks assessment and management is provided in section Financial Risk Management of the AB DNB Bankas consolidated financial statement. The risk management principles have not changed significantly during the accounting period. The risk management processes were further improved with the aim to implement practice applied by the parent bank DNB Bank ASA and in order to use the more advanced methods for calculation of capital requirement for credit risk in the future.

As a result of pursuing the appropriate risk management policy over the reporting period the Bank was compliant with all prudential requirements set by the Bank of Lithuania and no sanctions were imposed against it.

With Norway’s DNB Bank ASA becoming the sole shareholder of the Bank it has been decided that AB DNB Bankas shall use the ratings as assigned to the parent bank. No separate credit ratings are set for AB DNB Bankas starting 21 March 2011. In December 2011 rating agency “Standard & Poor’s” confirmed the long term lending rating “A+” (stable perspective) and the short term lending rating “A-1” for the bank DNB Bank ASA. In August of 2011 rating agency Moody’s confirmed the long term lending rating “Aa3” and the short term lending rating “P-1” for the parent bank.

### 14. Strategy and plans

After finalization of the integration into the DNB group including the utilization of a common strategic platform for all the Baltic countries, AB DNB Bankas’ strategy named “Building the future” was adopted with prime focus on a customer centric business model and long term value creation to customers, employees, shareholders and the society rather than product development or market share growth alone. For its customers AB DNB Bankas aims to be present and attentive, offer competitive prices, attractive products and be responsive and clear. This shall help to achieve a balanced growth of the customer portfolios and a higher penetration of all banking products and services.

The Bank will target to further improve the quality of its loan portfolios, achieve better operational efficiency and continuously develop the competences of its employees. One of the key success factors will remain the full scale implementation and migration of all existing applications to the new IT platform in the course of 2012. The bank also aims to capitalize on its affiliation to the DNB group by utilizing common product solutions and competences within the integrated organizational set-up.

Additionally AB DNB Bankas will contribute to maturing the Lithuanian financial market with clear stance on banking and economic issues, considering responsible banking and business ethics and promoting fundamentals of banking. To the Lithuanian society the
bank aims to be perceived as transparent, socially responsible, educating people in financial and banking issues as well as supporting children and youth programmes and the Lithuania’s men national basketball team.

15. Investments

As of the preparation of the 2011 consolidated annual report, the Issuer hadn’t any planned investment on long term tangible or intangible assets, which had value more than 10 percent of the Issuer’s share capital.

16. Management of the Issuer

The Bylaws of AB DnB NORD Bankas provide that the bodies of the Issuer are the following: General Meeting of Shareholders, Supervisory Council, Management Board and Chief Executive Officer (President).

The General Meeting of Shareholders of the Issuer:
- amends the Bylaws of the Issuer, save for the exceptions stipulated in laws;
- elects the Supervisory Council or the individual Members thereof;
- removes the Supervisory Council or the individual Members thereof;
- elects and removes the audit company, establishes the terms and conditions of payment for audit services;
- approves the annual financial statements of the Issuer and the report on the performance of the Issuer;
- establishes the class, the number and sets the nominal value and the minimum issue price of the shares to be issued by the Bank;
- makes the decision to issue the convertible bonds;
- makes the decision to withdraw the pre-emptive right to acquire the shares or convertible bonds of the specific issue of the Issuer from all the shareholders;
- makes the decision to convert the Issuer’s shares of one class into the shares of another class, to approve the share conversion procedure;
- adopts the decision on the profit (loss) distribution;
- adopts the decision on the formation, use, reduction and liquidation of reserves;
- adopts the decision to increase the authorised capital;
- adopts the decision to reduce the authorised capital save for the exceptions stipulated in laws;
- adopts the decision to acquire the Issuer’s own shares;
- adopts the decision on the reorganization or division of the Issuer and to approve the terms and conditions of the reorganization or division;
- adopts the decision to transform the Issuer;
- adopts the decision to liquidate the Issuer, to cancel the liquidation of the Issuer, except in the events stipulated in laws;
- adopts the decision to elect and remove the liquidator of the Issuer, except in the events stipulated in laws.

The General Meeting of Shareholders may also make decisions on other issues unless they are attached to the competence of other bodies of the Issuer according to laws or the Bylaws of the Issuer and unless they are the functions of the management bodies of the Issuer by their essence. The General Meeting of Shareholders shall not delegate the issues attached to its competence for other bodies of the Issuer to decide.

The Supervisory Council of the Issuer shall be a collegial supervisory body supervising the operation of the Issuer. The Chairman of the Supervisory Council shall be in charge of the Supervisory Council. The General Meeting shall elect seven Members of the Supervisory Council. At such election, every shareholder shall have the number of votes equal to the number of the votes granted by his/her shares multiplied by the number of the Supervisory Council Members to be elected. These votes shall be cast, at the shareholders’ sole discretion, for one or for several candidates. The candidates who receive the greatest number of votes shall be elected. Should the number of the candidates who have received an equal number of votes be greater than the number of the vacancies on the Supervisory Council, a repeat voting shall be held, and in such voting each shareholder shall vote only for one of the candidates who have received the equal number of votes. The Supervisory Council shall be elected for the period of 4 years.

The Supervisory Council:
- elects the Management Board Members and removes them from the office, makes proposals to the Management Board with regard to the candidate Chairman of the Management Board. Establishment of the salaries and other terms and conditions of the respective employment contracts of the Management Board Members holding other offices in the Issuer, the President and the Executive Vice Presidents shall be subject to obtaining of the prior consent of the Supervisory Council. If operation of the Issuer generates losses, the Supervisory Council shall consider whether the Management Board Members are suitable to hold the office;
- supervises the activity of the Management Board and the President;
- approves the Regulations of the Supervisory Council;
- approves the business plans of the Issuer;
- ensures the existence of the effective internal control system in the Issuer;
- makes the proposals and comments to the General Meeting on the Issuer’s business strategy, the Issuer’s annual financial statements, the draft profit (loss) distribution and the report on the performance of the Issuer as well as on the performance of the Management Board and the President;
- approves the lending policy and establishes the procedure for the lending which is subject to the approval of the Supervisory Council;
- makes the proposal for the Management Board and the President to revoke their decisions which contradict laws and other legal acts, the Bylaws of the Issuer or the decisions of the General Meeting of Shareholders;
- establishes the transactions and the decisions which are subject to obtaining of the consent of the Supervisory Council prior to the conclusion or implementation thereof by the management bodies of the Issuer;
- takes the decisions on the issues within the competence of the Supervisory Council under the procedures, the approval whereof are delegated to the Supervisory Council under laws, the Bylaws of the Issuer and the decisions of the General Meeting of Shareholders;
- discusses or resolves other issues which under laws, the Bylaws of the Issuer and the decisions of the General Meeting of Shareholders shall be discussed and resolved by the Supervisory Council.
The Management Board of the Issuer is a collegial management body consisting of 6 Members. The Management Board shall be elected by the Supervisory Council for 4 years. Where individual Members of the Management Board are elected, they shall be elected for the period remaining until the expiry of the term of office of the current Management Board. A Member of the Management Board may resign from his/her office prior to the expiry of the term of office subject to a written notice thereof to the Issuer at least 14 days in advance.

The Management Board shall discuss and approve:
- the management structure of the Issuer and the job positions;
- the positions to be filled in by the way of competition;
- the regulations of the branches, representative offices and other individual outlets of the Issuer;
- the lending procedure of the Issuer, in accordance with the lending policy approved by the Supervisory Council;
- the Issuer’s procedure for issuing of guarantees and sureties and assuming of other obligations;
- the procedure for writing off of loans and other debt obligations;
- the Regulations of the Credit and the Risk Management Committees.

The Management Board shall elect (appoint) and remove the President and the Executive Vice Presidents. The Management Board shall establish the salary of the President and other terms and conditions of his employment contract, approve his job description, apply incentives to or impose penalties on him. The Management Board shall determine what information shall be deemed to be a commercial secret of the Bank.

The Management Board shall adopt:
- the decisions for the Issuer to become a founder, a member of other legal persons;
- the decisions to establish branches, representative offices and other individual outlets of the Issuer and to terminate their operation;
- the decisions on the investment, transfer, lease of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (per each type of transaction);
- the decisions on the pledge and mortgage of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (in the aggregate amount);
- the decisions on the issuance of guarantees or sureties for the fulfillment of the obligations of other persons in the amount above 1/20 of the authorised capital of the Issuer;
- the decisions on the acquisition of the fixed assets for the price above 1/20 of the authorised capital of the Issuer;
- the decisions on the issuing of non-convertible bonds;
- the Regulations of the Management Board;
- the decisions on other issues which shall be discussed or resolved by the Management Board under laws and the Bylaws of the Issuer.

The Management Board shall establish:
- the terms and conditions of the share issue of the Issuer;
- the procedure for the issuing of bonds of the Issuer. Where the General Meeting of Shareholders takes the decision on the issuing of the convertible bonds, the Management Board shall have the right to establish additional terms and conditions of their issuing and to approve the bond subscription agreements to be signed by the President or the persons duly authorized thereby;
- the procedure for the recruitment of employees by the Issuer and the events when recruitment of employees by the Issuer shall be subject to the consent of the Management Board.

The Management Board shall implement the decisions taken by the General Meeting of Shareholders and the Supervisory Council.

The Management Board shall analyse and assess the information submitted by the President on the following issues:
- the implementation of the business strategy of the Issuer;
- the organisation of the business of the Issuer;
- the financial state of the Issuer;
- the results of the business activities, the income and expenditure estimates, the stocktaking data and other accounting data of the changes in the assets.

The Management Board shall analyse and assess the draft annual financial statements of the Issuer and the draft profit (loss) distribution, and shall submit them to the Supervisory Council and the General Meeting of Shareholders. The Management Board shall establish the methodology for the calculation of the depreciation of the tangible assets and the amortization of the intangible assets to be applied in the Bank.

The President shall be a single person management body of the Issuer. The President shall act as follows:
- organise the daily operation of the Issuer;
- hire and dismiss the employees of the Bank, conclude and terminate the employment contracts with them, apply incentives to and impose penalties on them;
- establish the rates applied in the calculation of the depreciation of the assets in the Bank;
- represent the Bank in the relations with other persons, the court and the arbitrage without a special power of attorney;
- issue and revoke the powers of attorney and powers of procuration of the Bank;
- issue orders;
- perform any other actions necessary to perform his functions, to implement the decisions of the bodies of the Bank and to ensure the operation of the Bank.

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

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

17. Supervisory Council and Management Board

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

According to the Bylaws the Supervisory Council of AB DNB Bankas shall consist of seven members. The term of office of the Supervisory Council expires on 18 March 2014.

As of 31 December 2011 the Supervisory Council of AB DNB Bankas consisted of five members, after Andris Ozolins resigned from the Supervisory Council on 28 February 2011 and Torstein Hagen resigned from the position of the member of the Supervisory Council on 30 June 2011.

Ten meetings of the Supervisory Council were held during the reporting period. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings during the financial year 2011.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Information on start and end of holding the office</th>
<th>Education</th>
<th>Information about management competence and experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terje Tunnes</td>
<td>Chairman of the Supervisory Council</td>
<td>01 03 2011 - 18 03 2014</td>
<td>Tronheim School of Economics; Diploma in economics and administration; the Norwegian School of Marketing; Diploma in Marketing; Norwegian School of Economics and Business administration, MBA</td>
<td>Den norske Bank ASA, DnB NOR Bank ASA, various positions (1997-2010); DNB Bank ASA, Head of Baltic and Poland Division (since 2010)</td>
</tr>
</tbody>
</table>
AB DNB Bankas
GROUP CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Information on start and end of holding the office</th>
<th>Education</th>
<th>Information about management competence and experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margrethe Melbye Gronn</td>
<td>Member of the Supervisory Council</td>
<td>18 03 2010 to 18 03 2014</td>
<td>University of Oslo, diploma in philosophy; Norwegian School of Management, master in business administration.</td>
<td>DnB NOR, vice-president and senior vice-president (2001-2010); DNB bank ASA Baltic division, chief operating officer (since 2010).</td>
</tr>
<tr>
<td>Ola Landmark</td>
<td>Member of the Supervisory Council</td>
<td>23 05 2011 to 18 03 2014</td>
<td>Oslo Institute of Business Administration, MBA</td>
<td>DnB NOR German branch, director (1997-2001); DNB Bank ASA, senior credit officer (since 2001)</td>
</tr>
</tbody>
</table>

Management Board

As of 31 December 2011 the Management Board of AB DNB Bankas consisted of five members, after Fredrik Johannes Borch resigned from the position of the member of the Management Board and executive vice-president on 30 November 2011. All members of the Management Board were appointed until the end of the term of office of the Bank’s Supervisory Council that expires on 18 March 2014.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Information on start and end of holding the office</th>
<th>Education</th>
<th>Information about management competence and experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bjarnar Lund</td>
<td>Chairman of the Management Board, president</td>
<td>06 05 2011 to 18 03 2014</td>
<td>Norwegian School of management, economist</td>
<td>DnB NOR Bank ASA, various positions (1987 – 2011)</td>
</tr>
<tr>
<td>Dr. Vygintas Bubrys</td>
<td>Vice-chairman of the Management Board, Executive Vice-president</td>
<td>18 03 2010 to 18 03 2014</td>
<td>Vilnius University, PhD, Economist-mathematician</td>
<td>Advisor, Deputy Manager, Manager (1997-2000); AB Lietuvos Žemės Ūkio Bankas, Advisor to the Chairman of the Management Board (2000-2002); AB Lietuvos Žemės ūkio bankas (later AB bankas NORD/LB Lietuva), member of the Management Board (2002-2003); AB bankas NORD/LB Lietuva, (later AB DnB NORD bankas), vice-chairman of the Management Board (since 2003)</td>
</tr>
<tr>
<td>Ramūnas Abazorius</td>
<td>Member of the Management Board, Executive Vice-president</td>
<td>18 03 2010 to 18 03 2014</td>
<td>Vilnius University, master in finance</td>
<td>AB Lietuvos Žemės ūkio bankas, manager of the Asset and Liability Management Unit of the Financial Risk Department (2001-2003); NORD/LB, manager of the Credit Risk Unit of the Financial Risk Department (2003-2004); DnB NORD bankas, manager of the Controlling Department (2004-2010)</td>
</tr>
<tr>
<td>Šarūnas Nedzinskas</td>
<td>Member of the Management Board, Executive</td>
<td>18 03 2010 to 18 03 2014</td>
<td>Vilnius University, Diploma in Economics;</td>
<td>AB Lietuvos Žemės ūkio bankas, Manager of the Stock Brokerage Division, Deputy Director of the Deposits and</td>
</tr>
</tbody>
</table>
Vice-president | Vytautas Magnus University, MBA | Credit Department, Director of the Credit Department, Member of the Management Board (1994-1997); AB bankas Hermis, vice-chairman of the Management Board (1998-2000); SEB Vilniaus bankas, Director of the Business Development Department, Director of the Financial Institutions Department, Director of the Special Loans Department (2000-2003); UAB Švyturys – Utenos alus, Sales Director (2003-2004); AB Lietuvos draudimas, Member of the Board, Director of Business and Risk Department (2004-2007); AB FMĮ Finasta, Director, chairman of the Board (2007-2008); AB DnB NORD bankas advisor to the president (2008-2009), member of the Management Board (since 2009)

Vaineta Barevičiūtė | Member of the Management Board, Executive Vice-president | Vilnius University, law diploma; ISM university, MBA | Vilnius municipality, lawyer (1988-1999); State Tax Inspectorate at the Ministry of Finance, lawyer, deputy unit head (1999-2003); AB bankas NORD/LB Lietuva, DnB NORD bankas, unit manager, Internal audit department manager (2003-2011)

| Vaineta Barevičiūtė | 01 07 2011 | 18 03 2014 |

The Members of the Supervisory Council and the Management Board had no shares of the Issuer.

The members of the Supervisory Council, the Management Board and the administrative bodies are not connected by any family relationship between any of them.

The members of the Supervisory council, the Management Board and the administrative bodies of the Bank have not been convicted for any crimes of forgery. They have not been publicly officially incriminated or imposed any sanctions by any regulatory authority over the period of past five years. They have not been disqualified by a court from holding office as the member of the bank’s administrative, management or supervisory body acting in the management or conduct of the affairs of any Issuer.

The members of the Supervisory Council, the Management Board and the administrative bodies of the Bank have no interests of conflict between any duties to the Issuer and their private interests and/or other duties. The Issuer has not entered into any deal with the above mentioned persons outside his/her principal activities.

Additional information about the Chairman of the Management Board-and and the Bank’s president and Chief Financial:

**Bjørnar Lund** (Chairman of the Management Board and the president of the Bank): holds diploma in economics from BI Norwegian School of Management. He has been working in the Bank since 2011. Previous work record: Bjørnar Lund has been working in Norway’s DNB Bank ASA since 1987. He has extensive experience working in various managerial positions in corporate and retail banking in Norway. In addition, he has international experience working abroad as the head of the Nordic Desk of DNB Bank ASA in Singapore.

Bjørnar Lund has no shareholdings in **AB DNB Bankas**


Jurgita Šaučiūnienė has no shares of the Issuer.

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

**AB DNB Bankas** Internal Audit Committee is established by the Supervisory Council of the Bank. It supervises functioning of the internal control system and risk management of the Bank, ensures the efficiency of internal audit functions, approves the annual audit plan for the Internal Audit Department and supervises the audit process. With regard to the auditing procedure and accounting policy, the Audit Committee observes the integrity of financial information, reviews the conclusions and recommendations of the external auditor, monitors their independence and impartiality, determines the risk areas of the Bank’s
operations to be audited by the Internal Audit Department and by the external auditor, supervises compliance of the Bank’s performance with the laws and regulations, Bylaws of the Bank and the strategy and operating policy of the Bank.

The Bank’s Internal Audit Committee consists of three members. The member of the Supervisory Council Tony Samuelsen is the chairman of the Internal Audit Committee. Leif Rene Hansen – the independent member. On 9 March 2011 the Supervisory Council of the Bank appointed the member of the Supervisory Council Margrethe Melbye Gronn as a new member of the Internal audit committee. She replaced Cord Mayer in that position. During the year 2011 five meetings of the Bank’s Internal Audit Committee were held and were attended by all its members except the meeting held on 27 September 2011 when Margrethe Melbye Gronn was absent.

19. Employees

In 2011 the activities of human resources management were focused on smooth employee integration into the international DNB group with major attention to widely communicating the joint vision – Creating value through the art of serving the customer – and fostering the Bank values in daily work with customer and colleagues.

As of 31 December 2011 the number employees in the Group was 1,353 employees, 1,325 of them were employees of AB DNB Bankas. The average monthly salary amounted to LTL 3,995 in 2011. The change in gross average monthly salary over the year was influenced by changes in the employee structure due to increased number of employees working on the implementation of the new core banking system.

Changes in the number of employees and salaries

<table>
<thead>
<tr>
<th></th>
<th>31 12 2008</th>
<th>31 12 2009</th>
<th>31 12 2010</th>
<th>31 12 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of staff in the Bank</td>
<td>1,229</td>
<td>1,263</td>
<td>1,276</td>
<td>1,325</td>
</tr>
<tr>
<td>Number of staff in the Group</td>
<td>1,312</td>
<td>1,282</td>
<td>1,300</td>
<td>1,353</td>
</tr>
<tr>
<td>Average monthly salary in the Group in LTL</td>
<td>3,620</td>
<td>3,855</td>
<td>3,895</td>
<td>3,995</td>
</tr>
</tbody>
</table>

In the reporting year, the number of AB DNB Bankas Group employees averaged 1,324. The average monthly salary by main staff groups was as follows: LTL 7,290 to the administration (Members of the Management Board excluded); LTL 3,330 to specialists; LTL 2,530 to clerical staff; and workers.

The Group’s staff by groups of positions as of 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Number of employees</th>
<th>Higher</th>
<th>Specialised secondary (high)</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>241</td>
<td>229</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Specialists</td>
<td>1,100</td>
<td>783</td>
<td>171</td>
<td>146</td>
</tr>
<tr>
<td>Clerical staff and workers</td>
<td>12</td>
<td>7</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>1,353</td>
<td>1,019</td>
<td>183</td>
<td>151</td>
</tr>
</tbody>
</table>

20. Executive remuneration policy report

The employment agreements and remuneration terms of the Members of the Management Board are set by the Supervisory Council of AB DNB Bankas.

According to the executive remuneration policy of AB DnB Bankas, the remuneration of the Members of the Management Board and Chief Accountant of the Bank consists of two parts: fixed remuneration and variable remuneration. The amounts are linked to fulfillment of objectives and the results of AB DNB Bankas also taking into consideration the data of Lithuania’s labour market research. In line with resolution of the Board of the Bank of Lithuania “Re Minimum requirements of the remuneration policy for the staff of credit institutions” dated 23 December 2010, the Bank will amended its remuneration policy in 2011 with the principals of the variable remuneration payments and setting up the list of the risk influencing positions.

The gross salary for the period from 1 January 2011 until 31 December 2011 paid to the Members of the Management Board also holding other positions in the Bank and Chief Accountant:

<table>
<thead>
<tr>
<th></th>
<th>Gross salary, LTL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1 760 558</td>
</tr>
<tr>
<td>Average amount, per person</td>
<td>271 272</td>
</tr>
</tbody>
</table>

In 2011 the Members of the Management Board and Chief Accountant were paid LTL 414 397 in other payments (car allowance, apartment rent, relocation, settlement pay).

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

No tantiems to the Members of the Supervisory Council were paid in 2011.

The Bank has no special commitments for employees regarding severance payment except the listed below:
a) The Employment Contract of two members of the Management Board who also act as executive vice-presidents of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her three average monthly salaries, unless a higher severance pay amount is established by law, when the Employment Contract terminates or is cancelled on one of the following grounds: (a) on the Employers’ will, (b) on the Employer’s initiative, when the Employee is not at fault, (c) when the Employee refuses to be transferred together with the Bank (its unit) to another location, (d) when the Employee refuses to work after the introduction of changes to the employment conditions, (e) when the medical commission or the commission for the establishment of disability concludes that the Employee is unable to work under the Employment Contract.

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

c) The Employment Contract of the advisor to president of the Bank provide that the Bank shall pay to the employee a severance pay amounting to his/her nine average monthly salaries, unless a higher severance pay amount is established by law, when the Employment Contract terminates or is cancelled on one of the following grounds: (a) on the Employers’ will, (b) on the Employer’s initiative, when the Employee is not at fault, (c) when the Employee is not returned to the position of Executive Vice President of the Bank.

21. Dividend

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

22. Procedure for amending the Bylaws

Following the effective Bylaws of the Issuer (the recent wording of the Bylaws registered with the Register of Legal Entities on 11 November 2011), and the Law on Joint Stock Companies, the Bylaws of the Issuer may be amended by decision of the General Meeting of Shareholders taken by at least 2/3 of the votes of all the shareholders participating in the General Meeting of Shareholders, save for the exceptions established by law.

23. Information on legal or arbitral proceedings

During the period from 1 January 2011 to 31 December 2011 the number of litigation (arbitration) proceedings, where Bank is a participant, have not increased significantly. The legal cases are related to the financial services provided by the Bank, i.e. execution of the obligations assumed by the clients to the Bank are disputed.

The Bank is a defendant in 10 civil cases, in which there are 46 claimants, the total disputed amount being approximately LTL 28.4 million. The dispute is related to equity linked bond issued by the Bank, which were acquired by the clients/claimants from the funds borrowed from the Bank. Due to unfavorable market terms the bonds did not record sufficient returns while the obligation of the customers to pay interest on the granted loans remained. The clients state the relevant risks and circumstances were not properly disclosed, i.e. the Bank provided investment services not in compliance with legal requirements. The Bank consistently takes the position that the information was properly disclosed and the investment services were rendered to the client in accordance with the legal requirements. At the moment of preparation of the report there was no final court decision in the aforementioned cases that would have come into effect.

24. Compliance to the Corporate Governance Code

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

The president of AB DNB Bankas

Bjornar Lund
Main characteristics of debt securities issued for public trading

As of 31 December 2011 the following debt securities issues were made by the Issuer for public trading:

<table>
<thead>
<tr>
<th>Name of securities (ISIN code)</th>
<th>Number of securities</th>
<th>Nominal value per unit</th>
<th>Issue price per unit</th>
<th>Aggregate nominal value</th>
<th>Interest (gain) amount, percent</th>
<th>Maturity</th>
<th>Redemption price, terms and procedure</th>
<th>Coupons paid in 2011 (LTL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero coupon note issue No. 3/2012 (LT0000402489)</td>
<td>150,000</td>
<td>100 (LTL)</td>
<td>93.2342 (LTL)</td>
<td>15,000,000 (LTL)</td>
<td>3.55</td>
<td>05 03 2012</td>
<td>Par</td>
<td>-</td>
</tr>
<tr>
<td>Fixed rate note issue No. 5/2015 (LT0000405052)</td>
<td>150,000</td>
<td>100 (LTL)</td>
<td>99.3519 (LTL)</td>
<td>15,000,000 (LTL)</td>
<td>5.00</td>
<td>07 05 2015</td>
<td>Par</td>
<td>150,000</td>
</tr>
<tr>
<td>Fixed rate note issue No. 5/2013 (LT0000431033)</td>
<td>96,134</td>
<td>100 (LTL)</td>
<td>99.95-100.00 (LTL)</td>
<td>9,613,400 LTL</td>
<td>4.10</td>
<td>28 05 2013</td>
<td>Par</td>
<td>95,727</td>
</tr>
<tr>
<td>Fixed rate note issue No. 10/2013 (LT0000431132)</td>
<td>350,000</td>
<td>100 (LTL)</td>
<td>99.7195 (LTL)</td>
<td>35,000,000 (LTL)</td>
<td>3.50</td>
<td>07 10 2013</td>
<td>Par</td>
<td>345,000</td>
</tr>
</tbody>
</table>

Security and commodity index linked notes

<table>
<thead>
<tr>
<th>Name of securities (ISIN code)</th>
<th>Number of securities</th>
<th>Nominal value per unit</th>
<th>Issue price per unit</th>
<th>Aggregate nominal value</th>
<th>Interest (gain) amount, percent</th>
<th>Maturity</th>
<th>Redemption price, terms and procedure</th>
<th>Coupons paid in 2011 (LTL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global equity-linked note issue No. 33-LV (LV0000800779)</td>
<td>3,510</td>
<td>100 (EUR)</td>
<td>100.00 (EUR)</td>
<td>351,000 (EUR)</td>
<td>Subject to index change</td>
<td>28 02 2012</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 34 (LT0000430753)</td>
<td>16,560</td>
<td>100 (LTL)</td>
<td>100.00 (LTL)</td>
<td>1,656,000 (LTL)</td>
<td>Subject to index change</td>
<td>28 02 2012</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 23 (LT10000405043)</td>
<td>20,562</td>
<td>100 (EUR)</td>
<td>100.00 (EUR)</td>
<td>2,056,200 (EUR)</td>
<td>Subject to index change</td>
<td>22 06 2012</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 35-LV (LV0000800795)</td>
<td>2,836</td>
<td>100 (EUR)</td>
<td>100.00 (EUR)</td>
<td>283,600 (EUR)</td>
<td>Subject to index change</td>
<td>22 10 2012</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 36-LV (LV0000800803)</td>
<td>7,452</td>
<td>100 (EUR)</td>
<td>105.00 (EUR)</td>
<td>745,200 (EUR)</td>
<td>Subject to index change</td>
<td>22 10 2012</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 37 (LT0000430878)</td>
<td>1,120</td>
<td>100 (LTL)</td>
<td>99.40-100.00 (LTL)</td>
<td>112,000 (LTL)</td>
<td>Subject to index change</td>
<td>12 11 2012</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 38 (LT10000403972)</td>
<td>2,267</td>
<td>100 (EUR)</td>
<td>99.77-100.00 (EUR)</td>
<td>226,700 (EUR)</td>
<td>Subject to index change</td>
<td>2012-11-12</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Asia equity-linked note issue No. 4 (LT0000430099)</td>
<td>2,018</td>
<td>100 (EUR)</td>
<td>99.78-100.00 (EUR)</td>
<td>201,800 (EUR)</td>
<td>Subject to index change</td>
<td>19 12 2012</td>
<td>Par</td>
<td>-</td>
</tr>
<tr>
<td>Asia equity-linked note issue No. 5 (LT0000430910)</td>
<td>42,673</td>
<td>100 (LTL)</td>
<td>99.56-100.00 (LTL)</td>
<td>4,267,300 (LTL)</td>
<td>Subject to index change</td>
<td>2012-12-19</td>
<td>Par</td>
<td>-</td>
</tr>
<tr>
<td>Name of securities (ISIN code)</td>
<td>Number of securities</td>
<td>Nominal value per unit</td>
<td>Issue price per unit</td>
<td>Aggregate nominal value</td>
<td>Interest (gain) amount, percent</td>
<td>Maturity</td>
<td>Redemption price, terms and procedure</td>
<td>Coupons paid in 2011 (LTL)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------------</td>
<td>------------------------</td>
<td>----------------------</td>
<td>------------------------</td>
<td>---------------------------------</td>
<td>----------</td>
<td>---------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 39-LV (LT1000430033)</td>
<td>3,903</td>
<td>100 (EUR)</td>
<td>100.00 (EUR)</td>
<td>390,300 (EUR)</td>
<td>Subject to index change</td>
<td>02 04 2013</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 40-LV (LT1000430041)</td>
<td>2,567</td>
<td>100 (EUR)</td>
<td>110.00 (EUR)</td>
<td>256,700 (EUR)</td>
<td>Subject to index change</td>
<td>02 04 2013</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Global equity-linked note issue No. 41-LV (LT1000430066)</td>
<td>10,000</td>
<td>100 (EUR)</td>
<td>110.00 (EUR)</td>
<td>1,000,000 (EUR)</td>
<td>Subject to index change</td>
<td>15 04 2013</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Asia equity-linked note issue No. 6 (LT0000430993)</td>
<td>50,828</td>
<td>100 (LTL)</td>
<td>99.43-100.00 (LTL)</td>
<td>5,082,800 (LTL)</td>
<td>Subject to index change</td>
<td>06 05 2013</td>
<td>Par</td>
<td>-</td>
</tr>
<tr>
<td>Commodity exporter equity-linked note issue No. 1-LV (LT1000430082)</td>
<td>3,900</td>
<td>100 (EUR)</td>
<td>100.00 (EUR)</td>
<td>390,000 (EUR)</td>
<td>Subject to index change</td>
<td>14 06 2013</td>
<td>Par</td>
<td>-</td>
</tr>
<tr>
<td>Northern Europe equity-linked note issue No. 1 (LT1000430215)</td>
<td>5,669</td>
<td>100 (EUR)</td>
<td>100.00 (EUR)</td>
<td>566,900 (EUR)</td>
<td>Subject to index change</td>
<td>10 03 2014</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>USA equity-linked note issue No. 1 (LT1000430231)</td>
<td>9,565</td>
<td>100 (EUR)</td>
<td>100.00 (EUR)</td>
<td>956,500 (EUR)</td>
<td>Subject to index change</td>
<td>21 04 2014</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Germany equity-linked note issue No. 1 (LT1000430371)</td>
<td>3,203</td>
<td>100 (EUR)</td>
<td>103.00 (EUR)</td>
<td>320,300 (EUR)</td>
<td>Subject to index change</td>
<td>16 05 2014</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Germany equity-linked note issue No. 2 (LT0000431280)</td>
<td>27,513</td>
<td>100 (LTL)</td>
<td>100.00 (LTL)</td>
<td>2,751,300 (LTL)</td>
<td>Subject to index change</td>
<td>16 05 2014</td>
<td>Par + premium</td>
<td>-</td>
</tr>
<tr>
<td>Northern Europe equity-linked note issue No. 2 (LT0000431363)</td>
<td>56,427</td>
<td>100 (LTL)</td>
<td>100.00 (LTL)</td>
<td>5,642,700 (LTL)</td>
<td>Subject to index change</td>
<td>25 10 2014</td>
<td>Par + premium</td>
<td>-</td>
</tr>
</tbody>
</table>
AB DnB NORD Bankas
(hereinafter referred to as “the Bank”, “the Company” or “the Issuer”), following paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, discloses its compliance with the Governance Code for the companies listed on NASDAQ OMX Vilnius and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it is specified which provisions are not complied with and the reasons of non-compliance.

On 31 December 2011 three issues of notes were listed on NASDAQ OMX Vilnius list of debt securities, the data of which is specified in Part 7 of this Consolidated Annual Report.

### Annex II

**DISCLOSURE OF AB DNB BANKAS CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON NASDAQ OMX VILNIUS**

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

On 31 December 2011 three issues of notes were listed on NASDAQ OMX Vilnius list of debt securities, the data of which is specified in Part 7 of this Consolidated Annual Report.

#### PRINCIPLES/RECOMMENDATIONS

<table>
<thead>
<tr>
<th>PRINCIPLES/RECOMMENDATIONS</th>
<th>YES/NO /NOT APPLICABLE</th>
<th>COMMENTARY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principle I: Basic Provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</td>
<td>Yes</td>
<td>The Bank adopts and annually updates the Strategy of the Bank. The provisions of the Strategy, which do not contain confidential information, are disclosed in the Annual Report of the Bank.</td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td><strong>Principle II: The corporate governance framework</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Not applicable</td>
<td>Both the Supervisory Council and the Management Board are elected in the Bank.</td>
</tr>
<tr>
<td>2.4. The collegial supervisory body to be elected by the</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
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.

| 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 Bylaws of the Bank establishes that the Management Board consists of 6 (six) members, the Supervisory Council consists of 7 (seven) members. |
| 2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board. | Yes | The 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 departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision. | Yes | |

**Principle III: The order of the formation of a collegial body to be elected by a general shareholders’ meeting**

The order of the formation a collegial body to be elected by a general shareholders’ meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company’s operation and its management bodies.

| 3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders’ meeting (hereinafter in this Principle referred to as the ‘collegial body’) should ensure objective and fair monitoring of the company’s management bodies as well as representation of minority shareholders. | Not applicable | All the shares are owned by one shareholder. |
| 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. | Not applicable | All the shares are owned by one shareholder. |
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate’s particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member’s competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.

| Yes |

3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the 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.

| Yes |

3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.

| Yes |

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.

| No |

In regard with the situation that the Bank is controlled by one shareholder, the Supervisory Council of the Bank doesn’t contain independent members.

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:

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

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

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

| Not applicable |

Please see the remark for item 3.6.
4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);

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

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

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

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

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

3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.

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.

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.

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.

Not applicable Please see the remark for item 3.6.

Not applicable Please see the remark for item 3.6.

Not applicable Please see the remark for item 3.6.
### Principle IV: The duties and liabilities of a collegial body elected by the general shareholders’ meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders’ meeting, and the powers granted to the collegial body should ensure effective monitoring of the company’s management bodies and protection of interests of all the company’s shareholders.

| 4.1. | The collegial body elected by the general shareholders’ meeting (hereinafter in this Principle referred to as the ‘collegial body’) should ensure integrity and transparency of the company’s financial statements and the control system. The collegial body should issue recommendations to the company’s management bodies and monitor and control the company’s management performance. | Yes |
| 4.2. | Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution). | Yes |
| 4.3. | Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified. | Yes |
| 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. | Not applicable |
| 4.5. | It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company’s management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision. | Yes |
| 4.6. | The collegial body should be independent in passing decisions that are significant for the company’s operations and strategy. Taken separately, the collegial body should be independent of the company’s management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the | Yes |
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.

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.

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.

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.

Yes

The Bylaws of the Bank registered on 11 November 2011 provide that the Audit Committee and Remuneration Committee are formed by the Supervisory Council of the Bank. Nomination Committees is not established. The functions of this committee are performed by the Supervisory Council. The Remuneration Committee acts on DNB Group level, inter alia deciding the most important issues of remuneration for management members of subsidiary companies.

Yes

There are 3 (three) members in the Audit Committee appointed by the Supervisory Council, 1 (one) of them is an independent member.
### 4.10. Authority of each of the committees should be determined by the collegial body.

| Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion. | Yes | The Audit Committee reports to the Supervisory Council at least annually. The Audit Committee also submits reports upon request of the Supervisory Council. |

### 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.

| In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities. | Yes |


| Key functions of the nomination committee should be the following: | Not applicable | The Nomination Committee is not established in the Bank. |

1. Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;

2. Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;

3. Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;

4. Properly consider issues related to succession planning;

5. Review the policy of the management bodies for selection and appointment of senior management.

### 4.13. Remuneration Committee.

| Key functions of the remuneration committee should be the following: | Yes | The Remuneration Committee acts on DNB Group level, inter alia deciding the most important issues of remuneration for management members of subsidiary companies. |

1. Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations;
on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;

2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company’s remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;

3) Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;

4) Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;

5) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;

6) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);

7) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.

4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:

1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;

2) Examine the related information that is given in the company’s annual report and documents intended for the use during the shareholders meeting;

3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.

4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.

4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.

4.14.1. Key functions of the audit committee should be the following:

1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);

2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;

3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;

4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders’ meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;

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

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

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

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

4.14.4. Internal and external auditors should be secured

| Yes | The Audit Committee reports to the Supervisory Council of the Bank at least annually. The Audit Committee also submits reports upon request of the Supervisory Council. |
with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.

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

4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.

4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body’s structure, work organization and ability to act as a group, evaluation of each of the collegial body member’s and committee’s competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.

**Principle V: The working procedure of the company’s collegial bodies**

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company’s bodies.

5.1. The company’s supervisory and management bodies (hereinafter in this Principle the concept ‘collegial bodies’ covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.

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.
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.

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.

**Principle VI: The equitable treatment of shareholders and shareholder rights**

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

<table>
<thead>
<tr>
<th>Principle VI: The equitable treatment of shareholders and shareholder rights</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>Yes</td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
</tr>
<tr>
<td>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.</td>
<td>No</td>
</tr>
<tr>
<td>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.</td>
<td>Yes</td>
</tr>
<tr>
<td>6.5.</td>
<td>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 also be 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.</td>
</tr>
<tr>
<td>6.6.</td>
<td>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.</td>
</tr>
<tr>
<td>6.7.</td>
<td>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.</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Principle VIII: Company's remuneration policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

| 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. | Yes | Following the decision of the Management Board of the Bank of Lithuania dated 23 December 2010 to approve the Minimal requirements for remuneration policy of the employees of the credit institutions, the Bank prepares remuneration statement as a separate report. |
| 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. | Yes |
| 8.3. Remuneration statement should at leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors’ remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) An explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) Sufficient information on deferment periods with regard to variable components of remuneration; 6) Sufficient information on the linkage between the remuneration and performance; 7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) Sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company; 12) A description of the main characteristics of supplementary pension or early retirement schemes for directors. 13) Remuneration statement should not include commercially sensitive information. | Yes |
| 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. | Yes |
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.

8.5.1. The following remuneration and/or emoluments-related information should be disclosed:
1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;
2) The remuneration and advantages received from any undertaking belonging to the same group;
3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;
4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;
5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;
6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.

8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:
1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;
2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;
3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;
4) All changes in the terms and conditions of existing share options occurring during the financial year.

8.5.3. The following supplementary pension schemes-related information should be disclosed:
1) When the pension scheme is a defined-benefit scheme, changes in the directors’ accrued benefits under that scheme during the relevant financial year;
2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.

8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.

8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.

8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.

8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be
deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.

8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated. | No | No such provisions were included during the year 2011, but undoubtedly if such facts would emerge, the Bank would take all necessary actions to recover the allegedly received remuneration. |

8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof. | Yes |

8.11. Termination payments should not be paid if the termination is due to inadequate performance. | Yes |

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders’ annual general meeting. | Yes |

8.13. Shares should not vest for at least three years after their award. | Not applicable | The variable remuneration amounts are subject to 3 years of delay period. 50 percent of any variable remuneration should be paid in DNB Bank ASA shares. |

8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria. | Not applicable |

8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components). | Not applicable |

8.16. Remuneration of non-executive or supervisory directors should not include share options. | Yes |

8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors’ remuneration. | No | In regard that the Bank is controlled by the sole shareholder, the remunerations for Bank administration managers (who in the same time are the members of Management Board) are considered in the Supervisory council. |

8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors’ remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders’ annual general meeting. Remuneration statement should be put for voting in shareholders’ annual general meeting. The vote may be either mandatory or advisory. | No | In regard that the Bank is controlled by the sole shareholder, the Remuneration Policy is changed/confirmed in the Supervisory Council of the Bank. |

8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders’ annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders’ approval prior to their adoption; the approval decision should be made in shareholders’ annual general meeting. In such case shareholders should be notified. | Not applicable | Considering the fact that the Bank is controlled by the sole shareholder, the schemes are approved by the Supervisory Council of the Bank. |
**Principle IX: The role of stakeholders in corporate governance**

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active cooperation 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.

<table>
<thead>
<tr>
<th>8.20. The following issues should be subject to approval by the shareholders’ annual general meeting:</th>
<th>Not applicable</th>
<th>The Supervisory Council of the Bank is responsible for the approval of the Remuneration Policy and the Management Board is responsible for its implementation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Grant of share-based schemes, including share options, to directors;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Determination of maximum number of shares and main conditions of share granting;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) The term within which options can be exercised;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.21. Should national law or company’s Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders’ approval.</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company’s employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders’ annual general meeting.</td>
<td>Not applicable</td>
<td></td>
</tr>
<tr>
<td>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</td>
<td>Not applicable</td>
<td>Considering the fact that the Bank is controlled by the sole shareholder, information is provided for the Supervisory Council of the Bank.</td>
</tr>
</tbody>
</table>

| 9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected. | Yes | 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. |
| 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. | | |
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.

<table>
<thead>
<tr>
<th>Principle X: Information disclosure and transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10.1. The company should disclose information on:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) The financial and operating results of the company;</td>
</tr>
<tr>
<td>2) Company objectives;</td>
</tr>
<tr>
<td>3) Persons holding by the right of ownership or in control of a block of shares in the company;</td>
</tr>
<tr>
<td>4) Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration;</td>
</tr>
<tr>
<td>5) Material foreseeable risk factors;</td>
</tr>
<tr>
<td>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations;</td>
</tr>
<tr>
<td>7) Material issues regarding employees and other stakeholders;</td>
</tr>
<tr>
<td>8) Governance structures and strategy.</td>
</tr>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

| 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. |

| 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. |

| 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 | Yes | 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.

Yes

All the information indicated in this item is published on the website of the Bank. The shares of the Bank are not listed on the regulated market.

<table>
<thead>
<tr>
<th>Principle XI: The selection of the company’s auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>The mechanism of the selection of the company’s auditor should ensure independence of the firm of auditor’s conclusion and opinion.</td>
</tr>
</tbody>
</table>

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
The accounting policies and notes on pages 52 to 124 are an integral part of these financial statements.
### THE GROUP AND BANK STATEMENT OF comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th></th>
<th>Bank</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Profit (loss) for the year</td>
<td>74,262</td>
<td>(113,093)</td>
<td>80,951</td>
<td>(122,633)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(expenses), net of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>available for sale assets revaluation</td>
<td>2,654</td>
<td>24</td>
<td>2,819</td>
<td>(85)</td>
</tr>
<tr>
<td>Total other comprehensive income, net</td>
<td>2,654</td>
<td>24</td>
<td>2,819</td>
<td>(85)</td>
</tr>
<tr>
<td>of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive</td>
<td>76,916</td>
<td>(113,069)</td>
<td>83,770</td>
<td>(122,718)</td>
</tr>
<tr>
<td>income(expenses) for the period, net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the parent</td>
<td>76,916</td>
<td>(113,069)</td>
<td>83,770</td>
<td>(122,718)</td>
</tr>
</tbody>
</table>

The accounting policies and notes on pages 52 to 124 are an integral part of these financial statements.
THE GROUP AND BANK STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>Assets</th>
<th>Group</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>11</td>
<td>763,428</td>
<td>525,842</td>
<td>763,428</td>
<td>525,842</td>
</tr>
<tr>
<td>Due from banks</td>
<td>12</td>
<td>836,215</td>
<td>483,406</td>
<td>836,215</td>
<td>483,406</td>
</tr>
<tr>
<td>Trading securities</td>
<td>13</td>
<td>32,189</td>
<td>30,177</td>
<td>32,189</td>
<td>30,177</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>14</td>
<td>388,287</td>
<td>459,498</td>
<td>388,287</td>
<td>459,498</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>15</td>
<td>11,533</td>
<td>24,683</td>
<td>11,533</td>
<td>24,683</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>16</td>
<td>6,049</td>
<td>323,925</td>
<td>915</td>
<td>318,496</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>17</td>
<td>8,524,185</td>
<td>8,731,999</td>
<td>8,882,706</td>
<td>9,290,610</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>18</td>
<td>295,823</td>
<td>385,475</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>155,671</td>
<td>20,115</td>
</tr>
<tr>
<td>Investment property</td>
<td>21</td>
<td>138,899</td>
<td>40,271</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>20</td>
<td>91,018</td>
<td>98,661</td>
<td>90,616</td>
<td>96,649</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>22</td>
<td>6,265</td>
<td>6,006</td>
<td>6,231</td>
<td>5,909</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>9</td>
<td>29,839</td>
<td>30,184</td>
<td>29,804</td>
<td>30,188</td>
</tr>
<tr>
<td>Other assets</td>
<td>23</td>
<td>64,664</td>
<td>39,424</td>
<td>45,211</td>
<td>14,011</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>11,188,394</td>
<td>11,179,551</td>
<td>11,242,806</td>
<td>11,299,584</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Equity</th>
<th>Group</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>24</td>
<td>4,506,051</td>
<td>5,327,814</td>
<td>4,506,051</td>
<td>5,327,814</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>15</td>
<td>31,463</td>
<td>61,862</td>
<td>31,463</td>
<td>61,862</td>
</tr>
<tr>
<td>Due to customers</td>
<td>25</td>
<td>5,146,575</td>
<td>4,334,713</td>
<td>5,149,173</td>
<td>4,336,248</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>26</td>
<td>114,954</td>
<td>151,563</td>
<td>114,954</td>
<td>151,563</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>27</td>
<td>38,544</td>
<td>403,622</td>
<td>38,544</td>
<td>403,622</td>
</tr>
<tr>
<td>Provisions</td>
<td>28</td>
<td>1,168</td>
<td>673</td>
<td>57,736</td>
<td>66,603</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>29</td>
<td>43,081</td>
<td>33,932</td>
<td>36,333</td>
<td>91,360</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>9,881,836</td>
<td>10,314,179</td>
<td>9,934,254</td>
<td>10,439,072</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity attributable to equity holders of parent</th>
<th>Group</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>30</td>
<td>656,665</td>
<td>656,665</td>
<td>656,665</td>
<td>656,665</td>
</tr>
<tr>
<td>Share premium</td>
<td>30</td>
<td>282,929</td>
<td>282,929</td>
<td>282,929</td>
<td>282,929</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>31</td>
<td>(245,127)</td>
<td>249,737</td>
<td>(245,127)</td>
<td>249,737</td>
</tr>
<tr>
<td>Reserves</td>
<td>31</td>
<td>365,187</td>
<td>170,905</td>
<td>365,187</td>
<td>170,905</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td>1,306,558</td>
<td>865,372</td>
<td>1,308,552</td>
<td>860,512</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total liabilities and equity</th>
<th>Group</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>11,188,394</td>
<td>11,179,551</td>
<td>11,242,806</td>
<td>11,299,584</td>
</tr>
</tbody>
</table>

These Financial Statements were signed on 17 February 2012:

B. Lund
President

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 52 to 124 are an integral part of these financial statements.
GROUP STATEMENT OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Attributable to equity holders of the parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued shares</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Balance at 1 January 2010</td>
</tr>
<tr>
<td>Total comprehensive income</td>
</tr>
<tr>
<td>Depreciation transfer for land and buildings</td>
</tr>
<tr>
<td>Increase of reserve capital (by additional contributions of shareholders)</td>
</tr>
<tr>
<td>Transfer of reserves</td>
</tr>
<tr>
<td>Balance at 31 December 2010</td>
</tr>
<tr>
<td>Total comprehensive income</td>
</tr>
<tr>
<td>Depreciation transfer for land and buildings</td>
</tr>
<tr>
<td>Increase of reserve capital (by additional contributions of shareholders)</td>
</tr>
<tr>
<td>Transfer of reserves</td>
</tr>
<tr>
<td>Balance at 31 December 2011</td>
</tr>
</tbody>
</table>
### BANK STATEMENT OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Attributable to equity holders of the parent</th>
<th>Issued shares</th>
<th>Share premium</th>
<th>Financial assets revaluation reserve</th>
<th>Mandatory reserve</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2010</strong></td>
<td>656,665</td>
<td>282,929</td>
<td>(2,734)</td>
<td>18,413</td>
<td>190,742</td>
<td>(335,425)</td>
<td>810,590</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation transfer for land and buildings</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Increase of reserve capital (by additional contributions of shareholders)</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>172,640</td>
<td>-</td>
<td>172,640</td>
</tr>
<tr>
<td>Transfer of reserves</td>
<td></td>
<td></td>
<td>-</td>
<td>(18,413)</td>
<td>(189,904)</td>
<td>208,317</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2010</strong></td>
<td>656,665</td>
<td>282,929</td>
<td>(2,819)</td>
<td>-</td>
<td>173,474</td>
<td>(249,737)</td>
<td>860,512</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td>2,819</td>
<td>-</td>
<td>-</td>
<td>80,951</td>
<td>83,770</td>
</tr>
<tr>
<td>Depreciation transfer for land and buildings</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>(2)</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Increase of reserve capital (by additional contributions of shareholders)</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>364,270</td>
<td>-</td>
<td>364,270</td>
</tr>
<tr>
<td>Transfer of reserves</td>
<td></td>
<td></td>
<td>-</td>
<td>(172,640)</td>
<td>172,640</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2011</strong></td>
<td>656,665</td>
<td>282,929</td>
<td>-</td>
<td>-</td>
<td>365,102</td>
<td>3,856</td>
<td>1,308,552</td>
</tr>
</tbody>
</table>
GROUP AND BANK STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th>Notes</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receipt</td>
<td>376,619</td>
<td>431,283</td>
<td>370,321</td>
<td>420,526</td>
</tr>
<tr>
<td>Interest payments</td>
<td>(171,191)</td>
<td>(191,247)</td>
<td>(171,574)</td>
<td>(187,546)</td>
</tr>
<tr>
<td>Collected previously written-off loans</td>
<td>4,027</td>
<td>2,405</td>
<td>4,027</td>
<td>2,405</td>
</tr>
<tr>
<td>Receipts from FX trading</td>
<td>(6,550)</td>
<td>24,804</td>
<td>(6,550)</td>
<td>24,804</td>
</tr>
<tr>
<td>Net receipt from operations in securities</td>
<td>5,932</td>
<td>11,911</td>
<td>6,979</td>
<td>11,870</td>
</tr>
<tr>
<td>Fee and commission receipt</td>
<td>89,307</td>
<td>74,773</td>
<td>91,441</td>
<td>75,879</td>
</tr>
<tr>
<td>Fee and commission payments</td>
<td>(19,483)</td>
<td>(16,674)</td>
<td>(19,085)</td>
<td>(16,039)</td>
</tr>
<tr>
<td>Salaries and related payments</td>
<td>(6,550)</td>
<td>24,804</td>
<td>(6,550)</td>
<td>24,804</td>
</tr>
<tr>
<td>Other payments</td>
<td>(56,388)</td>
<td>(83,071)</td>
<td>(59,731)</td>
<td>(74,942)</td>
</tr>
<tr>
<td>Net cash flows from operating profits before changes in operating assets and liabilities</td>
<td>132,701</td>
<td>168,132</td>
<td>128,612</td>
<td>172,857</td>
</tr>
<tr>
<td>(Increase) decrease in operating assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in loans to credit and financial institutions</td>
<td>(464,147)</td>
<td>(148,435)</td>
<td>(208,574)</td>
<td>(449,261)</td>
</tr>
<tr>
<td>Decrease in loans granted</td>
<td>105,787</td>
<td>867,808</td>
<td>71,252</td>
<td>857,477</td>
</tr>
<tr>
<td>(Purchase) of trading securities</td>
<td>(2,321,607)</td>
<td>(1,955,483)</td>
<td>(2,321,607)</td>
<td>(1,955,483)</td>
</tr>
<tr>
<td>Proceeds from trading securities</td>
<td>2,318,857</td>
<td>1,999,509</td>
<td>2,318,857</td>
<td>1,999,509</td>
</tr>
<tr>
<td>(Increase) decrease in other assets</td>
<td>(5,298)</td>
<td>249,369</td>
<td>27,484</td>
<td>28,317</td>
</tr>
<tr>
<td>Change in operating assets</td>
<td>(366,406)</td>
<td>1,012,768</td>
<td>(112,588)</td>
<td>480,559</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease) in liabilities to credit and financial institutions</td>
<td>(785,864)</td>
<td>(954,884)</td>
<td>(784,918)</td>
<td>(961,129)</td>
</tr>
<tr>
<td>Increase (decrease) in deposits</td>
<td>787,962</td>
<td>962,710</td>
<td>788,079</td>
<td>962,911</td>
</tr>
<tr>
<td>Increase (decrease ) in other liabilities</td>
<td>2,833</td>
<td>(60,344)</td>
<td>(67,368)</td>
<td>(4,023)</td>
</tr>
<tr>
<td>Change in liabilities</td>
<td>4,931</td>
<td>(52,518)</td>
<td>(64,207)</td>
<td>(2,241)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(150)</td>
<td>(154)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>(228,924)</td>
<td>1,128,228</td>
<td>(48,184)</td>
<td>651,174</td>
</tr>
<tr>
<td>Investing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property, plant, equipment and intangible assets</td>
<td>(7,756)</td>
<td>(2,671)</td>
<td>(7,738)</td>
<td>(2,652)</td>
</tr>
<tr>
<td>Disposal of property, plant, equipment and intangible assets</td>
<td>799</td>
<td>3,639</td>
<td>32</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of available for sale securities</td>
<td>(2,068)</td>
<td>(6,515)</td>
<td>(38)</td>
<td>(856)</td>
</tr>
<tr>
<td>Proceeds from available for sale securities</td>
<td>322,608</td>
<td>76,621</td>
<td>320,413</td>
<td>71,068</td>
</tr>
<tr>
<td>Purchase of securities designated at fair value through profit or loss</td>
<td>(482,921)</td>
<td>(525,678)</td>
<td>(482,921)</td>
<td>(525,678)</td>
</tr>
<tr>
<td>Proceeds from securities designated at fair value through profit or loss</td>
<td>546,662</td>
<td>297,732</td>
<td>546,662</td>
<td>297,732</td>
</tr>
<tr>
<td>Dividends received</td>
<td>12</td>
<td>12</td>
<td>1,827</td>
<td>1,660</td>
</tr>
<tr>
<td>Interest received</td>
<td>16,498</td>
<td>27,261</td>
<td>16,276</td>
<td>27,065</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>(190,275)</td>
<td>(21,624)</td>
</tr>
<tr>
<td>Disposal of subsidiaries shares</td>
<td>-</td>
<td>-</td>
<td>8,669</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flows from investing activities</td>
<td>393,824</td>
<td>(129,599)</td>
<td>212,907</td>
<td>(153,285)</td>
</tr>
</tbody>
</table>

The accounting policies and notes on pages 52 to 124 are an integral part of these financial statements.
GROUP AND BANK STATEMENT OF CASH FLOWS (CONTINUED)

<table>
<thead>
<tr>
<th>Notes</th>
<th>Group 2011</th>
<th>2010</th>
<th>Bank 2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own debt securities redemption</td>
<td>(62,823)</td>
<td>(580,606)</td>
<td>(62,823)</td>
<td>(580,606)</td>
</tr>
<tr>
<td>Own debt securities issued</td>
<td>38,605</td>
<td>108,935</td>
<td>38,605</td>
<td>108,935</td>
</tr>
<tr>
<td>Increase in reserve capital</td>
<td>364,270</td>
<td>172,640</td>
<td>364,270</td>
<td>172,640</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5,831)</td>
<td>(27,246)</td>
<td>(5,831)</td>
<td>(27,246)</td>
</tr>
<tr>
<td>Repaid subordinated loans</td>
<td>(364,270)</td>
<td>-</td>
<td>(364,270)</td>
<td>-</td>
</tr>
<tr>
<td>Repaid loans</td>
<td>-</td>
<td>(500,656)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>(30,049)</td>
<td>(826,933)</td>
<td>(30,049)</td>
<td>(326,277)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>134,851</td>
<td>171,696</td>
<td>134,674</td>
<td>171,612</td>
</tr>
</tbody>
</table>

Net foreign exchange difference on cash and cash equivalents:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Group 2011</th>
<th>2010</th>
<th>Bank 2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own debt securities redemption</td>
<td>(8,751)</td>
<td>(5,651)</td>
<td>(8,574)</td>
<td>(5,567)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>693,284</td>
<td>527,239</td>
<td>693,284</td>
<td>527,239</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December</td>
<td>34</td>
<td>819,384</td>
<td>693,284</td>
<td>819,384</td>
</tr>
</tbody>
</table>

The accounting policies and notes on pages 52 to 124 are an integral part of these financial statements.
GENERAL BACKGROUND

The name of AB DNB Bankas was registered on November 11, 2011. The Bank as a joint stock company was registered on September 13, 1993. The Bank possesses a license issued by the Bank of Lithuania, which entitles to provide financial services established in the Law of the Republic of Lithuania on Banks and the Law of the Republic of Lithuania on Financial Institutions.

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

As at 31 December 2011 the Bank owned the following subsidiaries:

- AB DNB Lizingas (leasing activities),
- UAB DNB Investicijų Valdymas (investment asset management activities),
- UAB DNB Būstas (real estate brokerage),
- UAB Intractus (real estate management, development and sale). UAB Intractus owned subsidiary UAB Industrius (Company was registered on Legal Entities, State enterprise Centre of Register on 15 February 2011) and subsidiary UAB Gėlužės projektai (acquired from Bank on 19 October 2011).

As at 31 December 2011 the Bank owned 100% of the share capital of AB DNB Lizingas, UAB DNB Investicijų valdymas, UAB Intractus and 75.47% of the share capital of UAB DNB Būstas. AB DNB Lizingas owned 24.53% of the share capital of UAB DNB Būstas. UAB DNB Intractus owned 100% of the share capital of UAB Gėlužės projektai and UAB Industrius. As at 31 December 2011 AB DNB Bankas Group (hereinafter referred to as “the Group”) in Lithuania consisted of AB DNB Bankas and its subsidiaries UAB Investicijų valdymas, UAB DNB Lizingas, UAB DNB Būstas, UAB Intractus, UAB Industrius, UAB Gėlužės projektai.

The head offices of the Bank and subsidiaries UAB DNB Investicijų valdymas and AB DNB Lizingas are located in Vilnius, Basanavičiaus str. 26, the head office of UAB Intractus is located in Vilnius, Vilniaus str. 18, the head office of UAB DNB Būstas is located in Vilnius, Švitrūnų str. 11 M. At the end of the reporting period the Bank had 79 client service outlets (2010: 85 client service outlets) of which 15 customer service branches and 64 customer service subbranches. As at 31 December 2011 the Bank had 1,325 employees (2010: 1,276 employees). As at 31 December 2011 the Group had 1,353 employees (2010: 1,300 employees).

As at 31 December 2011 the authorized capital of the Bank is LTL 656,665,410 (2010: 656,665,410), which is divided into 5,710,134 (2010: 5,710,134) ordinary registered shares with LTL 115 par value each. As at 30 June 2011 Bank DnB NORD A/S (DK) was the single shareholder holding 100% of the Bank’s shares (2010: 100%). On 30 June 2011 Norway registered DNB Bank ASA (until November 11, 2011 named DnB NOR Bank ASA) has acquired 100 percent of shares of AB DNB bankas from Denmark registered Bank DNB NORD A/S, controlled by DNB Bank ASA. As disclosed in Note 30, Share capital DNB Bank ASA become direct shareholder of the Bank owning 100 percent of its shares and voting rights. On 23 December 2010 NORD/LB bank (German Bank Norddeutsche Landesbank) transferred 49 percent of Bank DnB NORD A/S shares to Norway’s DnB NORD Bank ASA, thus increasing its indirect control of AB DnB NORD Bankas to 100% from 51%.

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

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

Basis of preparation of financial statements

The financial statements of the Group and the Bank are prepared in accordance with International Financial Reporting Standards effective as of 31 December 2011 that have been adopted for use in European Union. The financial statements are prepared on a historical cost basis, except for available-for-sale investment securities, securities designated at fair value through profit or loss, financial assets and financial liabilities held for trading, derivative financial instruments and investment properties, that have been measured at fair value.

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the parent Bank. In addition the financial information of Financial Group is presented in Note 40 in accordance with the requirements of the Bank of Lithuania.

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

Adoption of new and/or changed IFRSs and IFRIC interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 24 Related Party Disclosures (Amended)
- IAS 32 Classification on Rights Issues (Amended)
- Improvements to IFRSs (May 2010)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group:

- **IFRS 7 Financial Instruments - Disclosures**: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Financial Risk Management section.
- **IAS 1 Presentation of Financial Statements**: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group reflects the revised disclosure requirements in the statement of changes in equity.

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

- IFRIC 13 Customer Loyalty Programmes:
- IAS 34 Interim Financial Reporting
- IAS 27 Consolidated and Separate Financial Statements
- IFRS 3 Business Combinations

Standards issued but not yet effective

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

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**: The amendment is effective for annual periods beginning on or after 1 January 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group’s financial position or performance. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

- **IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets**: The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable
ACCOUNTING POLICIES (continued)

presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. This amendment has not yet been endorsed by the EU. Management has assessed that this change may have impact on the financial position of the Group in case of significant fair value changes of investment property.

IAS 19 Employee Benefits (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 27 Separate Financial Statements (Revised)
The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 28 Investments in Associates and Joint Ventures (Revised)
The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on the financial position or performance of the Group.

IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements
The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. The amendment has only disclosure effects. Management has assessed that this amendment will not have impact on the financial position or performance of the Group however it may impact the disclosures in financial statements.

IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities
The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity’s financial position. The amendments to IFRS 7 are to be retrospectively applied. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the amendment on the financial position or performance of the Group.

IFRS 9 Financial Instruments - Classification and Measurement
The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 10 Consolidated Financial Statements
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 11 Joint Arrangements
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint
venture must be accounted for using the equity method. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 12 Disclosures of Involvement with Other Entities
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRS 13 Fair Value Measurement
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine (‘production stripping costs’). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (stripping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. IFRIC 20 has not yet been endorsed by the EU. The Group has assessed that this new interpretation will have no impact on the financial position or performance of the Group.

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

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

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

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

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. For fair value of financial assets and liabilities see Notes 13-16.

Fair value of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged independent valuation specialists to determine fair value as at 31 December 2011. For the investment properties the values used a valuation technique based on comparable value (comparative sale-prices) method. Using this method, fair value of investment properties is estimated comparing actual market deals’ prices for parallel property objects. The valuation model for the Group’s investment properties was formed based on comparable property objects sold during the years 2010 and 2011.

For fair value of investment properties refer to the Note 21.
Deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For carrying amounts see Note 9.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Consolidation

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Bank’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

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

Business combinations

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

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

Foreign currency translation

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

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

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

Recognition of income and expenses

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within ‘interest income’ and ‘interest expense’ in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and
ACCOUNTING POLICIES (continued)

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

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

Fee and commission income and expense

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

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

Other expenses

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

Dividend income

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

Taxation

Income tax

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

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that a taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

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

The principle temporary differences arise from securities revaluation and intangible assets, property, plant and equipment accounting (for tax purposes VAT is not added to the value of those items).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities. The losses from disposal of securities can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

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

Other taxes

Other taxes are included in other expenses in the income statement.

Cash and cash equivalents

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

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Financial assets

Financial assets are classified into these groups: financial assets designated at fair value through profit or loss, loans and receivables, financial assets available for sale. Management determines the classification of its investments at initial recognition.

Financial assets designated at fair value through profit or loss

Securities classified in this category are designated at fair value through profit or loss on initial recognition when the following criterias are met:

- that type of classification eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on different bases; or
- a group of securities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group of these assets is provided internally to Bank's management.

Securities designated at fair value through profit or loss are recognized at settlement date, which is the date that an asset is delivered to or by the Group. They are initially recorded in the balance sheet at fair value. Changes in fair value are recorded in net gain (loss) on operations with securities. Interest earned whilst holding securities is reported as interest income.

Trading securities

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

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at settlement date, which is the date that an asset is delivered to or by the Group.

Derivative financial instruments

Derivative financial instruments including foreign exchange forwards, swaps, options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at their fair value. Fair values are determined according to the model, based on market observable inputs. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

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

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

Available for sale securities

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

Available for sale securities are initially recognised at fair value based on transaction price. 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. Foreign exchange gains and losses on equity available for sale securities are recognized in other comprehensive income, but foreign exchange gains and losses on debt available for sale securities are recognized in profit and loss. When the financial asset is derecognised the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Interest calculated using the effective interest rate is recognised in profit or loss. Interest earned whilst holding securities is reported as interest income. Dividends receivable are included separately in dividend income when the right of the payment has been established.

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

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

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

Loans

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

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

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

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

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

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

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

In order to assess whether the financial assets are impaired collectively they are grouped into homogeneous groups according to customer segment, type of assets and delinquency in contractual payments. The Group also collectively assesses the impairment for the financial assets, when loss event has occurred but it cannot be attributed either to particular type of assets nor to the particular group of assets.

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

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

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Bank and the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; and
- the Bank and the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank and the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank and the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank and the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank’s and the Group’s continuing involvement is the amount of the transferred asset that the Bank and the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank’s and the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.
Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

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

Property, plant and equipment

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

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

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

Leases

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

Group company is the lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of lease and included into other administrative expenses.

Group company is the lessor

Operating leases

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

Finance leases

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

Assets / funds under management and related liabilities

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

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

Debt issued and other borrowed funds

Issued financial instruments and their components, which are not classified at fair value through profit or loss, are classified as financial liabilities, where the substance of the contractual arrangement results in the Bank and the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Borrowings (including debt securities issued) are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate. Borrowings are recognised on the day of settlement.
ACCOUNTING POLICIES (continued)

The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on valuation technique whose variables include only data from observable markets. The Group has issued index linked bonds where fair value of the embedded derivative is determined by comparison with observable current market transactions in the same instrument. The fair value of the host contract is determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of the fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value is deferred and is not recognised immediately in the profit and loss.

The financial instrument is subsequently measured at amortised cost, adjusted for the deferred profit or loss.

Employee benefits

Social security contributions

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

Termination benefits

Termination benefits are payable when an employee’s employment is terminated on initiative of employer or the employment is terminated by mutual employee’s and employer’s agreement. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value. Termination benefits are included within staff costs in the income statement and within other liabilities in the balance sheet.

Segment reporting

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

Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expense relating to any provision is recognised in the income statement. If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Financial guarantees and credit-related commitments

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of the financial guarantee on the initial recognition does not include the gross receivable for future premiums not yet due. Subsequent to initial recognition, the bank’s liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee or the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

Documentary and commercial letters of credit represent written undertakings by the Bank and the Group on behalf of a customer authorising a third party to draw drafts on the Bank and the Group up to a stipulated amount under specific terms and conditions.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.
Fair value of assets and liabilities
Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. The Group is in accordance with IAS 39 using a mark-to-model approach for the measurement of fair value of their bond portfolio. IAS 39 stipulates that in the case of active markets the measurement of fair value has to be carried out by using market prices and other relevant information available for the financial instrument. For financial instruments traded in organised financial markets the fair value is determined by reference to quoted market prices. The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using the interest rates for items with similar terms and risk characteristics. In the case of inactive markets the establishment of valuation techniques for measuring the fair value is provided.

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

Off-balance sheet items
Off-balance sheet derivative transactions are marked to market at the reporting date and any arising profit or loss is recognised in the income statement for the period and treated as an asset or liability in the balance sheet respectively.

All liabilities that give rise to balance sheet exposures are accounted for as off balance sheet liabilities. This allows the Bank and the Group to assess capital requirement and to allocate funds required to cover those obligations.

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

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

Diluted earnings per share amounts are calculated by dividing the net result attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Subsequent events
Post-year-end events that provide additional information about the Bank’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.
FINANCIAL RISK MANAGEMENT

The Group analyses, evaluates, accepts and manages the risk or combinations of risks it is exposed to. Risk management at DNB Group aims at ensuring an acceptable profitability and return on equity following the conservative risk management policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

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

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

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

- concentration risk and residual risk as part of the credit risk;
- interest rate risk arising from the banking book as part of the market risk;
- business risk;
- operational risk.

The Bank aims to design an organizational structure which would ensure effective and reliable governance both at the Bank and the entire Group level.

The risk management function of the Group is organised in such a way that ensures efficient risk management and facilitates the realisation of the tasks stipulated in the Risk Management strategy. The management of separate risks of the Group is under responsibility of structural units within their competence limits. The control of all material risks management is under responsibility of the Financial Risk Department, risk management processes and internal control functioning are assessed by the Internal Audit Department. The control of operational risk management of the Group was strengthened in 2011 followed by the establishment of the new structural unit starting with the beginning of the year 2012.

The liquidity and market risk management is centralised following the common methodology defined by the Assets and Liabilities Management Committee (hereinafter referred to as ‘ALCO’) of the international DNB Group. The credit risk management is based on the Credit Manual of the international DNB Group.

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

The common Credit Manual, setting the common Group credit policy, crediting activity and decision-making processes, risk groups was approved in 2011. There were no other substantial changes to the risk management processes of the Group and the Bank except for those mentioned in this document below.

1. Credit risk

Credit risk means the risk for the Group to incur losses due to the Group’s customers’ failure to fulfill their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group’s business. The loss resulting from the credit risk still accounts for major part of Group’s results in uncertain economic conditions.

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

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

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

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

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

(a) Loans and advances
Credit risk is managed by carrying out a thorough analysis of the customer before issuing credits and by monitoring thereof after the credit disbursement. All customers granted credits must be classified according to risk every time a commitment is renewed or, unless otherwise decided, at least once a year. The credit risk is assessed by using customer / product segment specific scoring and rating instruments, which are used for homogeneous groups of customers:
- large corporates,
- small and medium-sized enterprises (hereinafter referred to as “SMEs”),
- single ownership companies,
- companies starting business,
- individuals,
- real estate projects of the legal entities.

These instruments are constantly improved and tested for reliability following the results of the analysis of historical data on the credit risk related losses. The internal scoring and rating instruments are applied for decision making, pricing and monitoring.

(b) Debt securities
Debt securities are in the region of 3 per cent of the total assets of the Group, therefore the credit risk arising from them is considered as being immaterial. Credit risk exposures are managed by carrying out borrower analysis when decision for acquisition of securities is made. Ratings of external rating agencies as well as internal ratings assigned by the parent DNB Bank ASA in case the borrower is a bank are important factors in decision making. The concentration risk arising from debt securities portfolio is analysed and monitored on a regular basis as well.

1.2. Risk limit control and mitigation policies

(a) Concentration risk
The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors. The Group’s portfolio of the products bearing credit risk is well diversified in regards to lending to the groups of the connected borrowers and a single borrower.

Lending activities to the economic sectors are regarded as being more risky and are monitored and controlled more strictly. Complimentary to the Bank of Lithuania requirements to limit the exposures to a single borrower or the group of related borrowers and large exposures, the Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group level is restricted by the internal lending limits. Percentage and volume lending limits are set for individual industries. These limits, which are approved by the Management Board, are set based on macroeconomic analysis, current loan portfolio structure, incurred losses by economic sectors, the Group’s strategic plans.

At the end of year 2011, the loan portfolio of the Group was well diversified by industries and none of the set limits was exceeded.

The Group follows the conservative risk management policy and uses the following limits imposed on:
1. Maximum exposure to a single borrower 20% from the Group’s own funds (legal limit 25%) (Note 39);
2. Large exposures on aggregated basis should be lower than 100% of Bank’s equity (legal limit 800%) (Note 39).

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

Some other specific control and mitigation measures are outlined below.

(b) Collateral
The Group prefers the customer’s ability to repay the loan in the lending process, giving less importance to the pledged collateral measure.

The Group mitigates credit risk through taking of security for funds advances. Types of collateral considered by the Group as the most acceptable for loans and advances are the following:
- Real estate (mainly residential properties, commercial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities, cash);
- Guarantees.

The term of the loans is taken into account when considering the type of collateral, a priority for long-term loans being the long-term property, mainly residential properties.
AB DNB Bankas
SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

FINANCIAL RISK MANAGEMENT (continued)

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

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

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

(c) Derivative financial instruments

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

(d) Credit-related commitments

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

1.3. Impairment policies

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

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

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

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

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

The loans and advances are written off when the Group does not expect any significant cash flows neither from the borrowers’ activities nor from the realisation of the collateral. The write off of the loans and advances is performed periodically.
1.4. Maximum exposure to credit risk before collateral held or other credit enhancements

<table>
<thead>
<tr>
<th>Credit Risk Exposures</th>
<th>Group 2011</th>
<th>Group 2010</th>
<th>Bank 2011</th>
<th>Bank 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>763,428</td>
<td>525,842</td>
<td>763,428</td>
<td>525,842</td>
</tr>
<tr>
<td>Due from banks</td>
<td>836,215</td>
<td>483,406</td>
<td>836,215</td>
<td>483,406</td>
</tr>
<tr>
<td>Loans and advances to customers:</td>
<td>8,524,185</td>
<td>8,731,999</td>
<td>8,882,706</td>
<td>9,290,610</td>
</tr>
<tr>
<td>Loans and advances to financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>institutions</td>
<td>45</td>
<td>67</td>
<td>292,545</td>
<td>548,328</td>
</tr>
<tr>
<td>Loans to individuals (retail):</td>
<td>3,937,937</td>
<td>4,094,500</td>
<td>3,937,937</td>
<td>4,094,500</td>
</tr>
<tr>
<td>- Consumer loans</td>
<td>196,123</td>
<td>260,894</td>
<td>196,123</td>
<td>260,894</td>
</tr>
<tr>
<td>- Mortgages</td>
<td>3,655,973</td>
<td>3,676,274</td>
<td>3,655,973</td>
<td>3,676,274</td>
</tr>
<tr>
<td>- Mortgages, secured by equity linked</td>
<td>54,292</td>
<td>82,419</td>
<td>54,292</td>
<td>82,419</td>
</tr>
<tr>
<td>Bank issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Other (credit cards, reverse</td>
<td>31,549</td>
<td>4,324</td>
<td>31,549</td>
<td>4,324</td>
</tr>
<tr>
<td>repurchase agreements, other loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>backed by securities, other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to business customers:</td>
<td>4,586,203</td>
<td>4,637,432</td>
<td>4,652,224</td>
<td>4,647,782</td>
</tr>
<tr>
<td>- Public authorities, state and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>municipal entities</td>
<td>705,221</td>
<td>573,030</td>
<td>705,221</td>
<td>573,030</td>
</tr>
<tr>
<td>- Large corporates</td>
<td>2,237,121</td>
<td>2,119,859</td>
<td>2,237,121</td>
<td>2,119,859</td>
</tr>
<tr>
<td>- SMEs</td>
<td>1,406,930</td>
<td>1,717,765</td>
<td>1,474,951</td>
<td>1,728,115</td>
</tr>
<tr>
<td>- Farmers</td>
<td>231,366</td>
<td>222,454</td>
<td>231,366</td>
<td>222,454</td>
</tr>
<tr>
<td>- Other</td>
<td>3,565</td>
<td>4,324</td>
<td>3,565</td>
<td>4,324</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>295,823</td>
<td>385,475</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Individuals</td>
<td>30,977</td>
<td>33,857</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Business customers</td>
<td>264,846</td>
<td>351,618</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trading assets:</td>
<td>32,189</td>
<td>30,177</td>
<td>32,189</td>
<td>30,177</td>
</tr>
<tr>
<td>- Debt securities</td>
<td>32,189</td>
<td>30,177</td>
<td>32,189</td>
<td>30,177</td>
</tr>
<tr>
<td>Securities designated at fair value</td>
<td>388,287</td>
<td>459,498</td>
<td>388,287</td>
<td>459,498</td>
</tr>
<tr>
<td>through profit or loss</td>
<td>388,287</td>
<td>459,498</td>
<td>388,287</td>
<td>459,498</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>11,533</td>
<td>24,683</td>
<td>11,533</td>
<td>24,683</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>6,049</td>
<td>323,925</td>
<td>915</td>
<td>318,496</td>
</tr>
<tr>
<td>- Debt securities</td>
<td>4,543</td>
<td>322,329</td>
<td>-</td>
<td>317,600</td>
</tr>
<tr>
<td>- Equity securities</td>
<td>1,506</td>
<td>1,596</td>
<td>915</td>
<td>896</td>
</tr>
<tr>
<td>Credit risk exposures relating to off</td>
<td>1,084,044</td>
<td>1,016,147</td>
<td>1,731,381</td>
<td>1,484,532</td>
</tr>
<tr>
<td>balance sheet items are as follows:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Financial guarantees</td>
<td>260,046</td>
<td>190,299</td>
<td>510,382</td>
<td>521,144</td>
</tr>
<tr>
<td>- Loan commitments and other credit</td>
<td>823,998</td>
<td>825,848</td>
<td>1,220,999</td>
<td>963,388</td>
</tr>
<tr>
<td>related liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31</td>
<td>11,941,753</td>
<td>11,981,152</td>
<td>12,646,654</td>
<td>12,617,244</td>
</tr>
</tbody>
</table>

The table above represents a worst case scenario of credit risk exposure at 31 December 2011 and 2010, without taking into account any credit risk mitigation techniques. On-balance sheet assets are reported above based on net carrying amounts as they appear in the balance sheet.

Large corporates are legal entities with annual turnover higher than LTL 70 million, while SMEs are legal entities with annual turnover up to LTL 70 million.

Loans and advances to banks and customers account for 78% of the total maximum exposure of the Group (2010: 77%) and for 77% of the total maximum exposure of the Bank (2010: 77%).

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

- The creditworthiness of the customers has stabilised, this is reflected in the quality of the portfolio of loans and advances to customers: the ratio of impairment losses to the respective Group’s portfolio in 2011 was 8.6% whereas in 2010 it stood at 9.0%;
- Mortgage loans and 72% of loans and advances to business customers are secured by collateral (see paragraph 1.5(e) for more detailed information on collateralization);
- The Group has introduced several restrictions (regarding financial status of the customer and currency of the contract) for granting of loans and advances decision making and has tightened the monitoring process.
### 1.5. Loans and advances

Loans and advances are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loans and</td>
<td>Due from</td>
<td>Loans and</td>
<td>Due from</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>advances to</td>
<td>banks</td>
<td>advances to</td>
<td>banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>customers</td>
<td></td>
<td>customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>5,981,542</td>
<td>836,215</td>
<td>5,888,778</td>
<td>483,406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>1,577,663</td>
<td>-</td>
<td>1,613,687</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impaired</td>
<td>1,767,292</td>
<td>-</td>
<td>2,092,159</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross</td>
<td>9,326,497</td>
<td>836,215</td>
<td>9,594,624</td>
<td>483,406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: allowance for impairment</td>
<td>(802,312)</td>
<td>-</td>
<td>(862,625)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net</td>
<td>8,524,185</td>
<td>836,215</td>
<td>8,731,999</td>
<td>483,406</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Bank**

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loans and</td>
<td>Due from</td>
<td>Loans and</td>
<td>Due from</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>advances to</td>
<td>banks</td>
<td>advances to</td>
<td>banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>customers</td>
<td></td>
<td>customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>6,340,063</td>
<td>836,215</td>
<td>6,447,389</td>
<td>483,406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>1,577,663</td>
<td>-</td>
<td>1,613,687</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impaired</td>
<td>1,767,292</td>
<td>-</td>
<td>2,092,159</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross</td>
<td>9,685,018</td>
<td>836,215</td>
<td>10,153,235</td>
<td>483,406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: allowance for impairment</td>
<td>(802,312)</td>
<td>-</td>
<td>(862,625)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net</td>
<td>8,882,706</td>
<td>836,215</td>
<td>9,290,610</td>
<td>483,406</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

During the year 2011, the Group’s total loans and advances decreased by 2.8%. The Group’s total impairment allowance for loans and advances is LTL 802,312 thousand (2010: LTL 862,625 thousand) and it accounts for 8.6% of the respective portfolio (2010: 9.0%). The Group’s impaired loans and advances to customers make 18.9% of the respective portfolio (2010: 21.8%). The reason for the decrease is the relatively improving creditworthiness of the clients, where less of them become insolvent due to the improving economic environment as well as the Group’s conservative write-off policy.
FINANCIAL RISK MANAGEMENT (continued)

a) Loans and advances neither past due nor impaired

Credit risk of lending to banks is assessed at international DNB Group level, which as well sets exposure limits for different credit risk related products based on the results of these assessments.

All loans and advances to financial institutions are considered as standard exposures for the purpose of credit quality analysis.

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

Credit quality of loans to individual and business customers is disclosed in the tables below according to the masterscale, which is used in the whole international DNB Group.

Rating grades are linked with one year horizon probabilities of default, i.e. with probabilities that customer will become unable to perform on its financial obligations to the bank within one year after assignment of rating grade. Probability of default for low risk rating grades (1 to 4) is in the range from 0.00% to 0.75%, for moderate risk rating grades (5 to 7) it is from 0.75% to 3.00%, while it is more than 3.00% for high risk (from 8 to 12).

31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Bank loans to customers</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business customers</td>
<td>Individual customers</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Low risk</td>
<td>1,005,947</td>
<td>2,161,089</td>
<td>3,167,036</td>
<td></td>
</tr>
<tr>
<td>Moderate risk</td>
<td>2,101,089</td>
<td>295,914</td>
<td>2,397,003</td>
<td></td>
</tr>
<tr>
<td>High risk</td>
<td>499,943</td>
<td>276,081</td>
<td>776,024</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,606,979</td>
<td>2,733,084</td>
<td>6,340,063</td>
<td></td>
</tr>
</tbody>
</table>

Total figures of the Group would be lower by amount of LTL 358,521 thousand due to loans to subsidiaries – AB DNB Lizingas, UAB Intractus, which are assigned to low risk.

31 December 2010

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

Total figures of the Group would be lower by amount of LTL 558,611 thousand due to loans to subsidiaries – AB DNB Lizingas, UAB DNB Būstas, UAB Intractus, UAB Gėlužės projektai, which are assigned to low risk.

b) Loans and advances past due but not impaired

Gross amount of loans and advances are reported in the tables below. At 31 December 2011 and 2010 there were no past due but not impaired loans in category “Loans and advances to banks” neither at Bank nor at the Group level.

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

31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Group and Bank loans to customers</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business customers</td>
<td>Individual customers</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------</td>
<td>----------------------</td>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td>Past due up to 3 days</td>
<td>489,778</td>
<td>533,183</td>
<td>1,022,961</td>
<td></td>
</tr>
<tr>
<td>Past due 4-30 days</td>
<td>14,868</td>
<td>61,416</td>
<td>76,284</td>
<td></td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>54,995</td>
<td>193,471</td>
<td>248,466</td>
<td></td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>52,201</td>
<td>29,685</td>
<td>81,886</td>
<td></td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>110,191</td>
<td>37,875</td>
<td>148,066</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>722,033</td>
<td>855,630</td>
<td>1,577,663</td>
<td></td>
</tr>
</tbody>
</table>

Value of risk mitigation measures  

589,878  
779,936  
1,369,814

31 December 2010

<table>
<thead>
<tr>
<th></th>
<th>Group and Bank loans to customers</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business customers</td>
<td>Individual customers</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------</td>
<td>----------------------</td>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td>Past due up to 3 days</td>
<td>476,573</td>
<td>531,464</td>
<td>1,008,037</td>
<td></td>
</tr>
<tr>
<td>Past due 4-30 days</td>
<td>12,440</td>
<td>71,522</td>
<td>83,962</td>
<td></td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>47,637</td>
<td>151,910</td>
<td>199,547</td>
<td></td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>61,124</td>
<td>43,460</td>
<td>104,584</td>
<td></td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>151,037</td>
<td>66,520</td>
<td>217,557</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>748,811</td>
<td>864,876</td>
<td>1,613,687</td>
<td></td>
</tr>
</tbody>
</table>

Value of risk mitigation measures  

594,970  
763,958  
1,358,928

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

c) Impaired loans and advances

Accrued interest income for individually impaired loans and advances to customers amount to LTL 66,029 thousand as of December 31, 2011 (2010: LTL 49,085 thousand).

There are no individually impaired loans and advances to banks and financial institutions neither at Bank nor at the Group level as of December 31, 2011 and 2010.

The gross amount of individually impaired loans and advances by customer type is reported together with the value of related collateral held as security in the tables below.

Individually impaired loans and advances are most often secured by real estate and movable assets. Value for such collateral is equal to its market value (not liquidation value), which is updated shortly after identification of impairment.

The loans and advances which are not impaired individually are grouped into pools of homogeneous loans and advances and assessed for collective impairment. Insignificant loans and advances are grouped according to days overdue whereas significant ones are grouped according to economic activity of the borrower.

<table>
<thead>
<tr>
<th></th>
<th>Group and Bank loans</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business customers</td>
<td>Individual customers</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------</td>
<td>----------------------</td>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td>31 December 2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individually assessed impaired loans</td>
<td>1,147,335</td>
<td>619,957</td>
<td>1,767,292</td>
<td></td>
</tr>
<tr>
<td>Value of collateral</td>
<td>815,909</td>
<td>476,239</td>
<td>1,292,148</td>
<td></td>
</tr>
<tr>
<td>31 December 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individually assessed impaired loans</td>
<td>1,477,674</td>
<td>614,485</td>
<td>2,092,159</td>
<td></td>
</tr>
<tr>
<td>Value of collateral</td>
<td>1,189,082</td>
<td>497,828</td>
<td>1,686,910</td>
<td></td>
</tr>
</tbody>
</table>
d) Renegotiated loans and advances

The renegotiation of the loans is performed at the different levels of competence taking into account significance and level of risk of these loans. During the year 2011 the demand for renegotiation of clients’ loans remained but the amount of renegotiated loans was decreasing in comparison with the year 2010 as the operating environment was balancing out. As in the year 2010 business customers dominate in the distribution of renegotiated loans between business and individual customers segments.

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

<table>
<thead>
<tr>
<th>Loans to individuals (retail):</th>
<th>Group and Bank loans</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Consumer loans</td>
<td>2,141</td>
<td>5,917</td>
<td></td>
</tr>
<tr>
<td>- Mortgages</td>
<td>91,720</td>
<td>150,351</td>
<td></td>
</tr>
<tr>
<td>- Loans secured by equity linked bonds issued by Bank</td>
<td>501</td>
<td>533</td>
<td></td>
</tr>
<tr>
<td>Loans to business customers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Large corporates</td>
<td>129,357</td>
<td>172,908</td>
<td></td>
</tr>
<tr>
<td>- SMEs</td>
<td>260,731</td>
<td>261,460</td>
<td></td>
</tr>
<tr>
<td>- Farmers</td>
<td>11,848</td>
<td>10,661</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>496,298</td>
<td>601,830</td>
<td></td>
</tr>
</tbody>
</table>

e) Information about collaterals of loans

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

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

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

The most commonly used type of collateral is the other real estate (mostly commercial) comprising 40% of the secured part of the Group’s loan portfolio (2010: 44%).

The Bank has acknowledged the risk arising from this type of the collateral and has taken measures to manage the concentration of real estate serving as the main type of the credit risk mitigant.
**AB DNB Bankas**
**SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**FINANCIAL RISK MANAGEMENT (continued)**

<table>
<thead>
<tr>
<th>31 December 2010</th>
<th>Group and Bank loans to individuals (retail)</th>
<th>Group loans to business customers</th>
<th>Bank loans to business customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>520,000</td>
<td>12</td>
<td>1,314,357</td>
</tr>
<tr>
<td>Loans collateralized by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- residential real estate</td>
<td>3,813,031</td>
<td>88</td>
<td>3,947,169</td>
</tr>
<tr>
<td>- other real estate</td>
<td>2,397,740</td>
<td>55</td>
<td>295,633</td>
</tr>
<tr>
<td>- securities</td>
<td>126,282</td>
<td>3</td>
<td>122,193</td>
</tr>
<tr>
<td>- guarantees</td>
<td>711,171</td>
<td>17</td>
<td>156,986</td>
</tr>
<tr>
<td>- other assets</td>
<td>422</td>
<td>-</td>
<td>541,727</td>
</tr>
<tr>
<td>Total</td>
<td>4,333,031</td>
<td>100</td>
<td>5,261,526</td>
</tr>
</tbody>
</table>

Page 71 of 124
1.6. Finance lease receivables

Finance lease receivables are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business</td>
<td>Individuals</td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>177,551</td>
<td>24,023</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>40,517</td>
<td>6,116</td>
</tr>
<tr>
<td>Impaired</td>
<td>123,532</td>
<td>2,087</td>
</tr>
<tr>
<td><strong>Gross</strong></td>
<td><strong>341,600</strong></td>
<td><strong>32,226</strong></td>
</tr>
<tr>
<td>Less: allowance for impairment</td>
<td>(76,754)</td>
<td>(1,249)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>264,846</strong></td>
<td><strong>30,977</strong></td>
</tr>
</tbody>
</table>

During the year ended 31 December 2011, finance lease receivables portfolio decreased by 21.1%. Total impairment provision for finance lease receivables is LTL 78,003 thousand (2010: LTL 88,253 thousand) and it accounts for 20.87% of the respective portfolio (2010: 18.63%).

1.7. Exposures rated by ECAI

Table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2011 based on Moody’s ratings or their equivalent.

### 31 December 2011

**Group**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Trading securities</th>
<th>Securities available for sale</th>
<th>Securities designated at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bonds</td>
<td>T-Bills</td>
<td>Bonds</td>
<td>T-Bills</td>
</tr>
<tr>
<td>Aaa</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>From Aa3 to Aa1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>From A3 to A1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>From Baa1 to Ba3</td>
<td>18,649</td>
<td>13,540</td>
<td>4,543</td>
<td>-</td>
</tr>
<tr>
<td>NR</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18,649</td>
<td>13,540</td>
<td>4,543</td>
<td>-</td>
</tr>
</tbody>
</table>
### 1.8. Repossessed assets

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

<table>
<thead>
<tr>
<th>Nature of assets at gross values</th>
<th>Gross amount Group 2011</th>
<th>Gross amount Group 2010</th>
<th>Gross amount Bank 2011</th>
<th>Gross amount Bank 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repossessed assets (investment properties, Note 21)</td>
<td>138,899</td>
<td>40,271</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other repossessed assets</td>
<td>30,853</td>
<td>2,392</td>
<td>30,853</td>
<td>2,392</td>
</tr>
<tr>
<td>Retrieved assets under cancelled lease contracts</td>
<td>30,734</td>
<td>48,911</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200,486</strong></td>
<td><strong>91,574</strong></td>
<td><strong>30,853</strong></td>
<td><strong>2,392</strong></td>
</tr>
</tbody>
</table>

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

1.9. Concentration of risks of financial assets with credit risk exposure

*Industry sectors*

The following table breaks down the loans and finance lease receivables at their carrying amounts, as categorized by the industry sectors of our counterparties.

<table>
<thead>
<tr>
<th>Group</th>
<th>Financial intermediation</th>
<th>Agriculture, hunting, forestry, fishing</th>
<th>Manufacturing</th>
<th>Electricity, gas, water supply</th>
<th>Construction</th>
<th>Wholesale and retail trade</th>
<th>Transport, storage, communication</th>
<th>Real estate activities</th>
<th>Public sector</th>
<th>Other industries</th>
<th>Private individuals</th>
<th>Not attributed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td>1,029</td>
<td>353,168</td>
<td>705,561</td>
<td>106,159</td>
<td>144,930</td>
<td>618,204</td>
<td>135,512</td>
<td>487,458</td>
<td>618,026</td>
<td>255,962</td>
<td>2,757,107</td>
<td>-</td>
<td>6,183,116</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>151</td>
<td>92,803</td>
<td>69,754</td>
<td>25,726</td>
<td>53,291</td>
<td>88,839</td>
<td>61,096</td>
<td>210,042</td>
<td>102,937</td>
<td>57,911</td>
<td>861,746</td>
<td>-</td>
<td>1,624,296</td>
</tr>
<tr>
<td>Impaired</td>
<td>-</td>
<td>90,594</td>
<td>248,447</td>
<td>75,300</td>
<td>144,098</td>
<td>136,978</td>
<td>439,632</td>
<td>-</td>
<td>622,044</td>
<td>77</td>
<td>-</td>
<td>70,563</td>
<td>1,892,911</td>
</tr>
<tr>
<td>Value adjustments and provisions</td>
<td>(16)</td>
<td>(25,695)</td>
<td>(135,326)</td>
<td>(34,513)</td>
<td>(69,950)</td>
<td>(61,508)</td>
<td>(228,344)</td>
<td>(18)</td>
<td>(271,983)</td>
<td>(77)</td>
<td>(880,315)</td>
<td>-</td>
<td>8,820,008</td>
</tr>
<tr>
<td>Changes for value adjustments and provisions during the reporting period</td>
<td>11</td>
<td>16,432</td>
<td>9,553</td>
<td>(386)</td>
<td>13,507</td>
<td>11,098</td>
<td>14,499</td>
<td>37,728</td>
<td>34</td>
<td>156</td>
<td>(32,246)</td>
<td>177</td>
<td>70,563</td>
</tr>
<tr>
<td>Total at 31 December 2011</td>
<td>1,164</td>
<td>510,870</td>
<td>888,436</td>
<td>131,390</td>
<td>239,008</td>
<td>781,191</td>
<td>272,078</td>
<td>908,788</td>
<td>720,945</td>
<td>397,224</td>
<td>3,968,914</td>
<td>-</td>
<td>8,820,008</td>
</tr>
<tr>
<td>Total at 31 December 2010</td>
<td>1,074</td>
<td>485,624</td>
<td>866,674</td>
<td>119,611</td>
<td>229,127</td>
<td>768,117</td>
<td>309,660</td>
<td>1,012,158</td>
<td>615,768</td>
<td>4,128,358</td>
<td>9,117,474</td>
<td>-</td>
<td>9,117,474</td>
</tr>
</tbody>
</table>

**Bank**

<table>
<thead>
<tr>
<th>Group</th>
<th>Financial intermediation</th>
<th>Agriculture, hunting, forestry, fishing</th>
<th>Manufacturing</th>
<th>Electricity, gas, water supply</th>
<th>Construction</th>
<th>Wholesale and retail trade</th>
<th>Transport, storage, communication</th>
<th>Real estate activities</th>
<th>Public sector</th>
<th>Other industries</th>
<th>Private individuals</th>
<th>Not attributed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neither past due nor impaired</td>
<td>292,524</td>
<td>332,326</td>
<td>667,001</td>
<td>105,629</td>
<td>135,483</td>
<td>591,838</td>
<td>86,549</td>
<td>548,335</td>
<td>614,105</td>
<td>233,189</td>
<td>2,733,084</td>
<td>-</td>
<td>6,340,063</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>21</td>
<td>90,002</td>
<td>67,497</td>
<td>25,726</td>
<td>51,917</td>
<td>83,334</td>
<td>38,003</td>
<td>206,784</td>
<td>102,670</td>
<td>56,079</td>
<td>855,630</td>
<td>-</td>
<td>1,577,663</td>
</tr>
<tr>
<td>Impaired</td>
<td>-</td>
<td>81,020</td>
<td>232,797</td>
<td>-</td>
<td>62,463</td>
<td>123,174</td>
<td>89,340</td>
<td>431,707</td>
<td>-</td>
<td>619,957</td>
<td>77</td>
<td>-</td>
<td>1,767,292</td>
</tr>
<tr>
<td>Value adjustments and provisions</td>
<td>-</td>
<td>(21,248)</td>
<td>(126,430)</td>
<td>(34,513)</td>
<td>(69,950)</td>
<td>(61,508)</td>
<td>(228,344)</td>
<td>(18)</td>
<td>(270,734)</td>
<td>(77)</td>
<td>(802,312)</td>
<td>-</td>
<td>8,882,706</td>
</tr>
<tr>
<td>Changes for value adjustments and provisions during the reporting period</td>
<td>-</td>
<td>16,671</td>
<td>10,649</td>
<td>(386)</td>
<td>15,574</td>
<td>8,430</td>
<td>11,112</td>
<td>36,712</td>
<td>9</td>
<td>(6,431)</td>
<td>(32,204)</td>
<td>177</td>
<td>60,313</td>
</tr>
<tr>
<td>Total at 31 December 2011</td>
<td>292,545</td>
<td>482,100</td>
<td>840,865</td>
<td>130,860</td>
<td>223,383</td>
<td>739,426</td>
<td>187,919</td>
<td>960,797</td>
<td>716,775</td>
<td>370,099</td>
<td>3,937,937</td>
<td>-</td>
<td>8,882,706</td>
</tr>
<tr>
<td>Total at 31 December 2010</td>
<td>548,328</td>
<td>444,861</td>
<td>809,524</td>
<td>118,838</td>
<td>200,031</td>
<td>719,756</td>
<td>184,825</td>
<td>1,003,856</td>
<td>573,030</td>
<td>588,736</td>
<td>4,094,501</td>
<td>4,324</td>
<td>9,290,610</td>
</tr>
</tbody>
</table>
2. Market risk

The Group takes on exposure to market risk, which means the risk for the Bank to incur losses due to the adverse fluctuations in the market parameters such as currency exchange rates (currency risk), interest rates (interest rate risk) or equity prices (equity risk). The most significant market risk for a Group is the interest rate risk while other market risks are of lower significance.

Interest rate risk is assessed by calculation of the Group’s positions’ sensitivity to interest rate change by 1 basis point, whereas the exchange rate risk is evaluated by calculation of open foreign exchange positions. The aforementioned calculations are performed daily and submitted to the Bank’s Management Board, the members of Risk management committee and Markets department. The interest rate and foreign exchange risks are restricted by the limits determined by the shareholder and monitored daily by Financial risk department and reported regularly to the Bank’s Management Board.

Regular reports on market risk exposures are submitted to the Bank’s management board.

2.1 Market risk measurement techniques

There are several types of market risk calculated in the Group.

Interest rate risk is assessed as an impact of parallel shift of a yield curve on a present value of the gap between total liabilities and total assets. The risk is measured as 1 basis point value (bpv). 1 bpv discloses the amount which would impact Group’s net result in case of the yield curve shift. Essential interest rate risk is in EUR and LTL currencies, therefore the following risk mitigation techniques are used. As assets in these currencies have longer maturity than liabilities, open interest rate position would create appropriate risk. Long term funding is attracted to decrease the discrepancy between long and short terms. Interest rate swaps are used to achieve and maintain an acceptable level of interest rate risk.

Foreign exchange (hereinafter referred to as FX) risk is assessed as an open position between assets and liabilities in a respective currency. This open position is restricted by the limits set by the DNB Markets Norway and monitored on a daily basis. FX positions are very low except of EUR/LTL position being more significant.

2.2. Foreign exchange risk

Note 36 reveals that the Group has exposure to EUR, exposures to other currencies are not significant. The Group follows a very conservative approach to foreign exchange risk and limits EUR position with the limit set by the DNB Markets Norway.

Sensitivity of foreign exchange risk

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>Reasonable shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>LVL</td>
<td>1.5 %</td>
</tr>
<tr>
<td>PLN</td>
<td>2.5 %</td>
</tr>
<tr>
<td>DKK</td>
<td>2.5 %</td>
</tr>
<tr>
<td>USD</td>
<td>2.5 %</td>
</tr>
<tr>
<td>EEK</td>
<td>2.5 %</td>
</tr>
<tr>
<td>Other currencies</td>
<td>5.0 %</td>
</tr>
</tbody>
</table>

The presumable FX rate change creates acceptable impact on Bank’s and Group’s annual profit as well as equity and makes LTL 96 thousand in 2011 (2010: LTL 105 thousand) impact on profit.

The Bank’s exposure to foreign currency exchange rate risk is summarised in Note 36.

2.3. Interest rate risk

The Group has exposure to interest rate risk in LTL and EUR, interest rate risk in other currencies is not significant. Interest rate risk in LTL rising from the loan portfolio and debt securities at a smaller extend on asset side which is mainly counterbalanced with clients’ deposits on the liability side. In case of EUR it is mainly funding from parent bank covering the exposure from assets. Interest rate risk from single currency position is calculated and monitored on a daily basis, using the basis point value (bpv) analysis. As the Group follows a very conservative approach in interest rate risk, separate currency position risk is restricted by the limits to 1 bpv set by the DNB Markets Norway.

1 bpv is calculated on a basis of interest rate gap report, which is the analysis of difference between assets and liabilities distributed by appropriate time buckets according to each currency.

The bpv reflect the impact of the parallel shift of the yield curve to the net profit before taxes.
The Bank’s and Group’s exposure to interest rate risk as of 31 December 2011 (basis point value):

<table>
<thead>
<tr>
<th>Risk</th>
<th>Bank</th>
<th>DNB lizingas</th>
<th>DNB Investiciju valdymas</th>
<th>Elimination effect</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTL</td>
<td>(20.8)</td>
<td>(0.7)</td>
<td>(0.7)</td>
<td>-</td>
<td>(22.2)</td>
</tr>
<tr>
<td>EUR</td>
<td>17.5</td>
<td>3.0</td>
<td>(0.4)</td>
<td>(11.3)</td>
<td>8.8</td>
</tr>
<tr>
<td>USD</td>
<td>(3.9)</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
<td>(4.0)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Risk</th>
<th>Bank</th>
<th>DnB NORD lizingas</th>
<th>DnB NORD Investiciju valdymas</th>
<th>Elimination effect</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTL</td>
<td>(14.0)</td>
<td>3.6</td>
<td>(0.8)</td>
<td>1.0</td>
<td>(10.2)</td>
</tr>
<tr>
<td>EUR</td>
<td>24.2</td>
<td>6.3</td>
<td>(0.5)</td>
<td>(17.8)</td>
<td>12.2</td>
</tr>
<tr>
<td>USD</td>
<td>(2.0)</td>
<td>(0.2)</td>
<td>-</td>
<td>-</td>
<td>(2.2)</td>
</tr>
</tbody>
</table>

The Bank’s interest rate gap analysis is summarized in Note 37.

Sensitivity of interest rate risk

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

<table>
<thead>
<tr>
<th>Reasonable annual shift in bp</th>
<th>LTL</th>
<th>EUR</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>100</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>2010</td>
<td>100</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

The shift of yield curve according to the above mentioned parameters creates acceptable impact on Group’s and Bank’s equity and P&L (see table below):

<table>
<thead>
<tr>
<th>Year</th>
<th>Group</th>
<th>Equity</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,943</td>
<td>3,226</td>
<td>9,874</td>
</tr>
<tr>
<td>2010</td>
<td>2,235</td>
<td>2,114</td>
<td>8,379</td>
</tr>
</tbody>
</table>

2.4 Equity risk

The Group does not have significant exposure to equity risk. Equity risk exposure arises from index linked bonds and deposits. Equity index options which are sold to retail clients are hedged by buying corresponding equity index options from the financial institutions. Open equity option position arises during the trade of index linked bonds in the secondary market or when index linked deposits are redeemed before their maturity. Open option position related to a certain issue of index linked bonds is reduced if market value of the open position is greater than EUR 10 thousand. Open option position related to a certain issue of index linked deposits is reduced if nominal value of open position is above EUR 100 thousand. Open position limitations constraints the Bank to keep equity risk at immaterial levels. The open equity option positions were within established limits for all issues of index linked bonds and deposits during 2011.

The equity exposure also consists of investment fund’s units held by DNB Investment Management. This small portion of investment fund units is held solely for company’s client deals and Group is not seeking the profit from this position, therefore the risk rising from units of investment funds is not assessed.

3. Liquidity risk

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

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2011</th>
<th>31 December 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 week</td>
<td>1 month</td>
</tr>
<tr>
<td>Liquidity gap (Group)</td>
<td>628.2</td>
<td>231.6</td>
</tr>
<tr>
<td>Limit</td>
<td>(1381.1)</td>
<td>(1381.1)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2011</th>
<th>31 December 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding ratio (Group)</td>
<td>1.15</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Note 35 analyzes assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date till the contractual maturity date as well as the liquidity ratio requirement set by the Bank of Lithuania.

3.2. Funding approach

The bank has a possibility of attracting funding at minimum cost. The parent Bank DNB (counterparty credit rating being A+/Stable/F1 (Fitch Ratings) provided 16 December, 2011) is the lender of last resort and provide the financing for the Bank in the cases of faltered liquidity. In mid 2011 shareholder and the Bank have signed multicurrency facility agreement where shareholder makes a commitment to provide funding to the Bank. Under these circumstances the bank had increased liquidity ratio set by BoL and funding ratio (as shown in table above) significantly.

3.3. Non – derivative cash flows

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

<table>
<thead>
<tr>
<th>Group</th>
<th>31 December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>Up to 1 month</td>
</tr>
<tr>
<td>Due to banks</td>
<td>159,444</td>
</tr>
<tr>
<td>Due to customers</td>
<td>3,554,072</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>31,188</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>812</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>30,903</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,744,419</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>31 December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td>Up to 1 month</td>
</tr>
<tr>
<td>Due to banks</td>
<td>159,444</td>
</tr>
<tr>
<td>Due to customers</td>
<td>3,556,670</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>31,188</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>812</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>53,946</td>
</tr>
</tbody>
</table>
Total liabilities (contractual maturity dates) 3,770,060 1,498,696 1,270,785 3,412,574 131,474 10,083,589

Group
31 December 2010

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

Bank
31 December 2010

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

3.4. Derivative cash flows

Tables below analyse cash flows from derivative instruments. Commonly the Group has exposure to foreign exchange derivatives i.e. forwards, swaps; interest rate derivatives i.e. swaps and options on interest rates, and equity derivatives i.e. options on equity indexes.

a) Derivatives settled on a net basis

<table>
<thead>
<tr>
<th>31 December 2011</th>
<th>Up to 1 month</th>
<th>1 to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives held for trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Foreign exchange derivatives</td>
<td>25</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>- Interest rate derivatives</td>
<td>5,408</td>
<td>4,383</td>
<td>18,418</td>
<td>25,148</td>
<td>2,123</td>
<td>55,480</td>
</tr>
<tr>
<td>- Equity derivatives</td>
<td>543</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>543</td>
</tr>
<tr>
<td>- Commodity derivatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Credit derivatives</td>
<td>771</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>771</td>
</tr>
<tr>
<td>Total</td>
<td>6,747</td>
<td>4,383</td>
<td>18,418</td>
<td>25,148</td>
<td>2,123</td>
<td>56,819</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2010</th>
<th>Up to 1 month</th>
<th>1 to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives held for trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Foreign exchange derivatives</td>
<td>245</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>245</td>
</tr>
<tr>
<td>- Interest rate derivatives</td>
<td>11,578</td>
<td>6,708</td>
<td>28,554</td>
<td>40,136</td>
<td>3,099</td>
<td>90,075</td>
</tr>
<tr>
<td>- Equity derivatives</td>
<td>3,799</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,799</td>
</tr>
<tr>
<td>- Commodity derivatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Credit derivatives</td>
<td>1,445</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,445</td>
</tr>
<tr>
<td>Total</td>
<td>17,067</td>
<td>6,708</td>
<td>28,554</td>
<td>40,136</td>
<td>3,099</td>
<td>95,564</td>
</tr>
</tbody>
</table>
b) Derivatives settled on a gross basis

### 31 December 2011

<table>
<thead>
<tr>
<th>Derivatives held for trading</th>
<th>Up to 1 month</th>
<th>1 to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outflow</td>
<td>1,001,266</td>
<td>973,082</td>
<td>341,733</td>
<td>-</td>
<td>2,316,081</td>
</tr>
<tr>
<td>Inflow</td>
<td>999,542</td>
<td>971,843</td>
<td>340,929</td>
<td>-</td>
<td>2,312,314</td>
</tr>
<tr>
<td>Total outflow</td>
<td>1,001,266</td>
<td>973,082</td>
<td>341,733</td>
<td>-</td>
<td>2,316,081</td>
</tr>
<tr>
<td>Total inflow</td>
<td>999,542</td>
<td>971,843</td>
<td>340,929</td>
<td>-</td>
<td>2,312,314</td>
</tr>
</tbody>
</table>

### 31 December 2010

<table>
<thead>
<tr>
<th>Derivatives held for trading</th>
<th>Up to 1 month</th>
<th>1 to 3 months</th>
<th>3 to 12 months</th>
<th>1 to 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outflow</td>
<td>670,389</td>
<td>724,716</td>
<td>386,418</td>
<td>2,057</td>
<td>1,783,580</td>
</tr>
<tr>
<td>Inflow</td>
<td>670,164</td>
<td>724,932</td>
<td>389,561</td>
<td>2,055</td>
<td>1,786,712</td>
</tr>
<tr>
<td>Total outflow</td>
<td>670,389</td>
<td>724,716</td>
<td>386,418</td>
<td>2,057</td>
<td>1,783,580</td>
</tr>
<tr>
<td>Total inflow</td>
<td>670,164</td>
<td>724,932</td>
<td>389,561</td>
<td>2,055</td>
<td>1,786,712</td>
</tr>
</tbody>
</table>

3.5. Off - balance sheet items

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

**Group**

<table>
<thead>
<tr>
<th></th>
<th>Up to one year</th>
<th>From 1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guarantees</td>
<td>135,932</td>
<td>121,569</td>
<td>2,545</td>
<td>260,046</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>2,084</td>
<td>1,122</td>
<td>-</td>
<td>3,206</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>551,655</td>
<td>243,740</td>
<td>6,994</td>
<td>802,389</td>
</tr>
<tr>
<td>Finance lease commitments</td>
<td>2,292</td>
<td>-</td>
<td>-</td>
<td>2,292</td>
</tr>
<tr>
<td>Operating lease commitments</td>
<td>1,266</td>
<td>-</td>
<td>-</td>
<td>2,315</td>
</tr>
<tr>
<td>Other commitments</td>
<td>4,961</td>
<td>4,019</td>
<td>4,816</td>
<td>13,796</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>698,190</td>
<td>371,499</td>
<td>14,355</td>
<td>1,084,044</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Up to one year</th>
<th>From 1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 December 2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guarantees</td>
<td>111,962</td>
<td>76,043</td>
<td>2,294</td>
<td>190,299</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>5,793</td>
<td>-</td>
<td>-</td>
<td>5,793</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>450,015</td>
<td>337,599</td>
<td>15,495</td>
<td>803,109</td>
</tr>
<tr>
<td>Finance lease commitments</td>
<td>2,683</td>
<td>-</td>
<td>-</td>
<td>2,683</td>
</tr>
<tr>
<td>Operating lease commitments</td>
<td>1,148</td>
<td>-</td>
<td>-</td>
<td>3,154</td>
</tr>
<tr>
<td>Other commitments</td>
<td>4,372</td>
<td>3,023</td>
<td>3,714</td>
<td>11,109</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>575,973</td>
<td>418,671</td>
<td>21,503</td>
<td>1,016,147</td>
</tr>
</tbody>
</table>

**Bank**

<table>
<thead>
<tr>
<th></th>
<th>Up to one year</th>
<th>From 1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guarantees</td>
<td>173,801</td>
<td>334,036</td>
<td>2,545</td>
<td>510,382</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>2,084</td>
<td>1,122</td>
<td>-</td>
<td>3,206</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>591,344</td>
<td>603,852</td>
<td>6,994</td>
<td>1,202,190</td>
</tr>
</tbody>
</table>
Operating lease commitments & 1,320 & 1,049 & - & 2,369 \\
Other commitments & 4,399 & 4,019 & 4,816 & 13,234 \\
\hline
**Total** & **772,948** & **944,078** & **14,355** & **1,731,381** \\
\hline

At 31 December 2010

Guarantees & 154,630 & 364,220 & 2,294 & 521,144 \\
Letters of credit & 5,793 & - & - & 5,793 \\
Loan commitments & 450,515 & 478,451 & 15,495 & 944,461 \\
Operating lease commitments & 1,369 & 2,064 & - & 3,433 \\
Other commitments & 2,964 & 3,023 & 3,714 & 9,701 \\
\hline
**Total** & **615,271** & **847,758** & **21,503** & **1,484,532** \\

4. Fair value of financial assets and liabilities

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

<table>
<thead>
<tr>
<th>As at 31 December 2011</th>
<th>Group Carrying value</th>
<th>Group Fair value</th>
<th>Bank Carrying value</th>
<th>Bank Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers of which: &amp; 8,524,185 &amp; 7,757,220 &amp; 8,882,706 &amp; 7,980,458</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Loans to business customers &amp; 4,586,203 &amp; 4,173,558 &amp; 4,652,224 &amp; 4,179,681</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Loans and advances to financial institutions &amp; 45 &amp; 41 &amp; 292,545 &amp; 262,830</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease receivables of which: &amp; 295,823 &amp; 269,206 &amp; - &amp; -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Individuals &amp; 30,977 &amp; 28,190 &amp; - &amp; -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Business customers &amp; 264,846 &amp; 241,016 &amp; - &amp; -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks &amp; 4,506,051 &amp; 4,503,645 &amp; 4,506,051 &amp; 4,503,645</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to customers &amp; 5,146,575 &amp; 5,146,470 &amp; 5,149,173 &amp; 5,149,068</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities in issue &amp; 114,954 &amp; 122,613 &amp; 114,954 &amp; 122,613</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated loans &amp; 38,544 &amp; 35,932 &amp; 38,544 &amp; 35,932</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As at 31 December 2010</th>
<th>Group Carrying value</th>
<th>Group Fair value</th>
<th>Bank Carrying value</th>
<th>Bank Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers of which: &amp; 8,731,999 &amp; 7,879,456 &amp; 9,290,610 &amp; 8,385,372</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Loans to individuals &amp; 4,094,500 &amp; 3,695,549 &amp; 4,094,500 &amp; 3,695,549</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Loans to business customers &amp; 4,637,432 &amp; 4,183,847 &amp; 4,647,782 &amp; 4,194,922</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Loans and advances to financial institutions &amp; 67 &amp; 60 &amp; 548,328 &amp; 494,901</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease receivables of which: &amp; 385,475 &amp; 346,241 &amp; - &amp; -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Individuals &amp; 33,857 &amp; 30,545 &amp; - &amp; -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Business customers &amp; 351,618 &amp; 315,696 &amp; - &amp; -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks &amp; 5,327,814 &amp; 5,228,169 &amp; 5,327,814 &amp; 5,228,169</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to customers &amp; 4,334,713 &amp; 4,285,271 &amp; 4,336,248 &amp; 4,286,806</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities in issue &amp; 151,563 &amp; 141,256 &amp; 151,563 &amp; 141,256</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated loans &amp; 403,622 &amp; 378,428 &amp; 403,622 &amp; 378,428</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
FINANCIAL RISK MANAGEMENT (continued)

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

Debt securities are priced in accordance to market quotes therefore defined as level 1.

There were no movements of financial instruments between the levels during 2011.

<table>
<thead>
<tr>
<th>Bank</th>
<th>As at 31 December 2011</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX forwards, swaps, put, call options</td>
<td>-</td>
<td>4,830</td>
<td>-</td>
<td>4,830</td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps, collars</td>
<td>-</td>
<td>6,013</td>
<td>-</td>
<td>6,013</td>
<td></td>
</tr>
<tr>
<td>Equity linked options</td>
<td>-</td>
<td>551</td>
<td>-</td>
<td>551</td>
<td></td>
</tr>
<tr>
<td>Commodity linked options</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Credit related agreements</td>
<td>-</td>
<td>139</td>
<td>-</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>Other financial assets held-for-trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government debt securities</td>
<td>32,189</td>
<td>-</td>
<td>-</td>
<td>32,189</td>
<td></td>
</tr>
<tr>
<td>Debt securities issued by banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>32,189</td>
<td>-</td>
<td>-</td>
<td>32,189</td>
<td></td>
</tr>
<tr>
<td>Financial assets designated at fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government debt securities</td>
<td>388,287</td>
<td>-</td>
<td>-</td>
<td>388,287</td>
<td></td>
</tr>
<tr>
<td>Other debt securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>388,287</td>
<td>-</td>
<td>-</td>
<td>388,287</td>
<td></td>
</tr>
<tr>
<td>Financial investments available-for-sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other debt securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>915</td>
<td>-</td>
<td>-</td>
<td>915</td>
<td></td>
</tr>
<tr>
<td></td>
<td>915</td>
<td>-</td>
<td>-</td>
<td>915</td>
<td></td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX forwards, swaps, put, call options</td>
<td>-</td>
<td>546</td>
<td>-</td>
<td>546</td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps, collars</td>
<td>-</td>
<td>30,175</td>
<td>-</td>
<td>30,175</td>
<td></td>
</tr>
<tr>
<td>Credit related agreements</td>
<td>-</td>
<td>742</td>
<td>-</td>
<td>742</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31,463</td>
<td>-</td>
<td>-</td>
<td>31,463</td>
<td></td>
</tr>
</tbody>
</table>

Figures for the Group will not differ materially, mainly debt securities in available for sale portfolio (in amount of LTL 4,543 thousand) would increase the positions of level 1 (Note 16).

<table>
<thead>
<tr>
<th>Bank</th>
<th>As at 31 December 2010</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX forwards, swaps, put, call options</td>
<td>-</td>
<td>8,180</td>
<td>-</td>
<td>8,180</td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps, collars</td>
<td>-</td>
<td>11,856</td>
<td>-</td>
<td>11,856</td>
<td></td>
</tr>
<tr>
<td>Equity linked options</td>
<td>-</td>
<td>4,214</td>
<td>-</td>
<td>4,214</td>
<td></td>
</tr>
<tr>
<td>Commodity linked options</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Credit related agreements</td>
<td>-</td>
<td>433</td>
<td>-</td>
<td>433</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>24,683</td>
<td>-</td>
<td>24,683</td>
<td></td>
</tr>
<tr>
<td>Other financial assets held-for-trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government debt securities</td>
<td>30,027</td>
<td>-</td>
<td>-</td>
<td>30,027</td>
<td></td>
</tr>
<tr>
<td>Debt securities issued by banks</td>
<td>150</td>
<td>-</td>
<td>-</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td></td>
<td>30,177</td>
<td>-</td>
<td>-</td>
<td>30,177</td>
<td></td>
</tr>
</tbody>
</table>
Financial assets designated at fair value through profit or loss

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government debt securities</td>
<td>445,503</td>
</tr>
<tr>
<td>Other debt securities</td>
<td>13,995</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>459,498</strong></td>
</tr>
</tbody>
</table>

Financial investments available-for-sale

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other debt securities</td>
<td>317,600</td>
</tr>
<tr>
<td>Equity securities</td>
<td>896</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>318,496</strong></td>
</tr>
</tbody>
</table>

Financial liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX forwards, swaps, put, call options</td>
<td>- 10,569 - 10,569</td>
</tr>
<tr>
<td>Interest rate swaps, collars</td>
<td>- 49,848 - 49,848</td>
</tr>
<tr>
<td>Credit related agreements</td>
<td>- 1,445 - 1,445</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>- 61,862</strong></td>
</tr>
</tbody>
</table>

Figures for the Group will not differ materially, mainly debt securities in available for sale portfolio (in amount of LTL 4,729 thousand) would increase the positions of level 1 (Note 16).

5. Operational Risk

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

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

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

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

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

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

In 2011 the Group continued to develop the operational risk management and control systems. Effective operational risk management in the Group is based on each employee’s risk perception and understanding. In this case the Group consistently sustained new employee’s operational risk knowledge by organising new training. In May and June 2011 the Bank performed a comprehensive risk assessment on the Group level (encompassing all of the main Bank’s activities and the most significant potential risks and making measure plans) using DNB Group methodology. At the end of 2011 the Bank has established new Operational Risk Department in order to sustain internal operation's control function, focusing on follow-up systemic control to the most critical daily banking activities, including lending.

Since the Bank was intensely preparing the switch to the new main IT system, at the end of the year 2011 there was introduced risk assessment related with the new system and its impact to the Bank’s activity (corporate, internal and IT processes), on purpose to find out the most threat and to provide the measures for potential risk controlling.

6. Stress tests

Besides the regular assessment of the risks and the capital requirement calculation the Group also performs stress tests for the credit, liquidity, market (interest rate and currency), business and operational risks. The purpose of the stress-testing is to evaluate whether the Group’s capital is sufficient to cover those extraordinary losses that might occur in the case when the testing scenario is realised as well as to prepare the contingency plan for the Group. In order to evaluate the losses caused by the aforesaid risks the realisations of the standard, possible and worst case scenarios are assumed.

The results of the stress tests are submitted to the Group’s management bodies on quarterly basis.
FINANCIAL RISK MANAGEMENT (continued)

7. Capital management

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

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

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

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

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

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group for the years ended 31 December. According to Bank of Lithuania requirements, 10% capital adequacy ratio was applicable for 2010 December 31 and 8% - for 2011 December 31. During 2011 and 2010, the Group complied with capital requirements to which it is subject.

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Tier 1 capital</td>
<td>1,225,199</td>
<td>855,532</td>
</tr>
<tr>
<td>Tier 2 capital</td>
<td>15,899</td>
<td>326,654</td>
</tr>
<tr>
<td>Total capital</td>
<td>1,241,098</td>
<td>1,185,186</td>
</tr>
<tr>
<td>Risk weighted assets</td>
<td>8,163,475</td>
<td>8,537,800</td>
</tr>
<tr>
<td>Tier1 capital ratio, %</td>
<td>15.01</td>
<td>10.06</td>
</tr>
<tr>
<td>Capital ratio, %</td>
<td>15.20</td>
<td>13.88</td>
</tr>
</tbody>
</table>
FINANCIAL RISK MANAGEMENT (continued)

Capital requirements

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

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

<table>
<thead>
<tr>
<th>Exposure net of value adjustments and provisions</th>
<th>Total exposure value covered by</th>
<th>Exposure net of value adjustments and provisions</th>
<th>Total exposure value covered by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central governments or central banks</td>
<td>Group</td>
<td>Bank</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exposure net of value adjustments and provisions</td>
<td>Total exposure value covered by</td>
<td>Exposure net of value adjustments and provisions</td>
</tr>
<tr>
<td></td>
<td>445,572</td>
<td>441,029</td>
<td></td>
</tr>
<tr>
<td>Regional governments or local authorities</td>
<td>753,440</td>
<td>753,440</td>
<td></td>
</tr>
<tr>
<td>Administrative bodies and non-commercial undertakings</td>
<td>66,059</td>
<td>616</td>
<td>62,800</td>
</tr>
<tr>
<td>Institutions</td>
<td>873,806</td>
<td>873,806</td>
<td></td>
</tr>
<tr>
<td>Corporates</td>
<td>3,958,087</td>
<td>4,835,308</td>
<td>34,666</td>
</tr>
<tr>
<td>Retail</td>
<td>1,742,930</td>
<td>1,630,180</td>
<td>21,395</td>
</tr>
<tr>
<td>Secured on real estate property</td>
<td>2,484,765</td>
<td>2,484,939</td>
<td>23,772</td>
</tr>
<tr>
<td>Past due items</td>
<td>879,260</td>
<td>792,443</td>
<td>27,772</td>
</tr>
<tr>
<td>Other items</td>
<td>664,723</td>
<td>580,465</td>
<td>8,623</td>
</tr>
<tr>
<td>Total</td>
<td>11,868,642</td>
<td>12,454,410</td>
<td>133,666</td>
</tr>
</tbody>
</table>

The exposure values covered by eligible collateral are shown after application of the volatility adjustments. The Bank and the group did not have any exposures covered by credit derivatives neither in 2011 nor in 2010.

After implementation of the ICAAP the Group started to calculate the internal capital for the risks not covered or not fully covered by the Pillar I capital.

The principles of ICAAP are uniform in the whole international DNB Group.

The concentration risk is assessed for asset classes exposed to credit risk and is measured by the means of Hirschman–Herfindahl index. Besides the imposed limits on lending the Group calculates the internal capital requirement for concentration risk according to the estimated risk level.

The residual risk is the risk that the Bank’s and the Group’s credit risk mitigation techniques will appear to be less effective than expected. Therefore the Bank assumes the increase of the risky assets due to occurrence of the residual risk which leads to the higher capital requirement.

As the regulatory capital requirement is calculated for the interest rate risk arising from the trading book, the Group additionally assesses and calculates the internal capital requirement for the interest rate risk arising from the banking book. The approach and the parameters used for this calculation are the same as the ones for evaluating the stress testing worst case scenario losses.

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

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

The Group is organised into these main business segments based on products, services and legal organisation: banking, leasing, investment management, real estate brokerage and real estate management, development and sale. Transactions between the business segments are on normal commercial terms and conditions, transfer prices between operating segments are on arm’s length basis. Funds are ordinary realllocated between segments, resulting in funding cost transfers disclosed in operating income. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group’s total revenue in 2011 or 2010.

Year ended 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Banking</th>
<th>Leasing</th>
<th>Investment management</th>
<th>Real estate brokerage</th>
<th>Real estate management, development and sale</th>
<th>Eliminations</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third party</td>
<td>384,705</td>
<td>19,291</td>
<td>197</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>404,193</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>13,715</td>
<td>27</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>(13,747)</td>
<td></td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td>398,420</td>
<td>19,318</td>
<td>202</td>
<td>-</td>
<td>-</td>
<td>(13,747)</td>
<td>404,193</td>
</tr>
<tr>
<td>Third party</td>
<td>(172,785)</td>
<td>-</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>(172,788)</td>
<td></td>
</tr>
<tr>
<td>Inter-segment</td>
<td>(6)</td>
<td>(12,352)</td>
<td>(3)</td>
<td>(3)</td>
<td>(1,360)</td>
<td>13,721</td>
<td></td>
</tr>
<tr>
<td><strong>Total interest expense</strong></td>
<td>(172,791)</td>
<td>(12,352)</td>
<td>(3)</td>
<td>(3)</td>
<td>(1,360)</td>
<td>(172,788)</td>
<td></td>
</tr>
<tr>
<td>Third party</td>
<td>211,920</td>
<td>19,291</td>
<td>194</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>231,405</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>13,709</td>
<td>(12,325)</td>
<td>5</td>
<td>(3)</td>
<td>(1,360)</td>
<td>(26)</td>
<td></td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>225,629</td>
<td>6,966</td>
<td>199</td>
<td>(3)</td>
<td>(1,360)</td>
<td>(26)</td>
<td>231,405</td>
</tr>
<tr>
<td>Third party</td>
<td>88,368</td>
<td>6,861</td>
<td>4,923</td>
<td>499</td>
<td>-</td>
<td>(9,326)</td>
<td>91,325</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>7,824</td>
<td>(3,928)</td>
<td>(979)</td>
<td>146</td>
<td>(1)</td>
<td>(3,062)</td>
<td></td>
</tr>
<tr>
<td><strong>Net interest income from the other main operations</strong></td>
<td>96,192</td>
<td>2,933</td>
<td>3,944</td>
<td>645</td>
<td>(1)</td>
<td>(12,388)</td>
<td>91,325</td>
</tr>
<tr>
<td>Third party</td>
<td>(151,048)</td>
<td>4,059</td>
<td>(1,104)</td>
<td>(612)</td>
<td>(1,999)</td>
<td>-</td>
<td>(150,704)</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>(85)</td>
<td>(2,838)</td>
<td>(105)</td>
<td>(29)</td>
<td>(31)</td>
<td>3,088</td>
<td></td>
</tr>
<tr>
<td><strong>Total administrative and other operating expenses/ income</strong></td>
<td>(151,133)</td>
<td>1,221</td>
<td>(1,209)</td>
<td>(641)</td>
<td>(2,030)</td>
<td>3,088</td>
<td>(150,704)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(13,491)</td>
<td>(411)</td>
<td>(28)</td>
<td>(26)</td>
<td>(2)</td>
<td>-</td>
<td>(13,958)</td>
</tr>
<tr>
<td>Impairment losses and provisions</td>
<td>(84,542)</td>
<td>217</td>
<td>-</td>
<td>-</td>
<td>1,547</td>
<td>-</td>
<td>(82,778)</td>
</tr>
<tr>
<td><strong>Profit (loss) before tax</strong></td>
<td>72,655</td>
<td>10,926</td>
<td>2,906</td>
<td>(25)</td>
<td>(1,846)</td>
<td>(9,326)</td>
<td>75,290</td>
</tr>
<tr>
<td>Income tax</td>
<td>(1,067)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,067)</td>
</tr>
<tr>
<td>Change of deferred tax</td>
<td>-</td>
<td>-</td>
<td>39</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39</td>
</tr>
<tr>
<td><strong>Net profit (loss)</strong></td>
<td>71,588</td>
<td>10,926</td>
<td>2,945</td>
<td>(25)</td>
<td>(1,846)</td>
<td>(9,326)</td>
<td>74,262</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>7,738</td>
<td>-</td>
<td>-</td>
<td>13</td>
<td>5</td>
<td>-</td>
<td>7,756</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>1,308,552</td>
<td>73,516</td>
<td>7,640</td>
<td>1,243</td>
<td>71,616</td>
<td>(156,009)</td>
<td>1,306,558</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>11,242,806</td>
<td>370,916</td>
<td>7,999</td>
<td>1,628</td>
<td>139,453</td>
<td>(574,408)</td>
<td>11,188,394</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>9,934,254</td>
<td>297,400</td>
<td>359</td>
<td>385</td>
<td>67,837</td>
<td>(418,399)</td>
<td>9,881,836</td>
</tr>
</tbody>
</table>
SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2010

<table>
<thead>
<tr>
<th></th>
<th>Banking</th>
<th>Leasing</th>
<th>Investment management</th>
<th>Real estate brokerage</th>
<th>Real estate management, development and sale</th>
<th>Eliminations</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third party</td>
<td>423,626</td>
<td>21,106</td>
<td>237</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>444,969</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>11,643</td>
<td>42</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>(11,686)</td>
<td>-</td>
</tr>
<tr>
<td>Total interest income</td>
<td>435,269</td>
<td>21,148</td>
<td>238</td>
<td>-</td>
<td>-</td>
<td>(11,686)</td>
<td>444,969</td>
</tr>
<tr>
<td>Third party</td>
<td>(197,980)</td>
<td>(5,065)</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(203,048)</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>(14)</td>
<td>(11,583)</td>
<td>(9)</td>
<td>(51)</td>
<td>11,657</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total interest expense</td>
<td>(197,994)</td>
<td>(16,648)</td>
<td>(3)</td>
<td>(9)</td>
<td>(51)</td>
<td>11,657</td>
<td>(203,048)</td>
</tr>
<tr>
<td>Third party</td>
<td>225,646</td>
<td>16,041</td>
<td>234</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>241,921</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>11,629</td>
<td>(11,541)</td>
<td>(9)</td>
<td>(51)</td>
<td>(29)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>237,275</td>
<td>4,500</td>
<td>235</td>
<td>(9)</td>
<td>(51)</td>
<td>(29)</td>
<td>241,921</td>
</tr>
<tr>
<td>Third party</td>
<td>71,375</td>
<td>1,267</td>
<td>4,117</td>
<td>615</td>
<td>-</td>
<td>(1,648)</td>
<td>75,726</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>6,008</td>
<td>(4,976)</td>
<td>(782)</td>
<td>99</td>
<td>-</td>
<td>(369)</td>
<td></td>
</tr>
<tr>
<td>Net income from the</td>
<td>77,383</td>
<td>(3,709)</td>
<td>3,355</td>
<td>714</td>
<td>-</td>
<td>(2,017)</td>
<td>75,726</td>
</tr>
<tr>
<td>other main operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third party</td>
<td>(158,786)</td>
<td>(8,953)</td>
<td>(941)</td>
<td>(751)</td>
<td>(509)</td>
<td>(825)</td>
<td>(170,765)</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>(133)</td>
<td>(91)</td>
<td>(104)</td>
<td>(44)</td>
<td>1,312</td>
<td>(940)</td>
<td></td>
</tr>
<tr>
<td>Total administrative</td>
<td>(158,919)</td>
<td>(9,044)</td>
<td>(1,045)</td>
<td>(795)</td>
<td>803</td>
<td>(1,765)</td>
<td>(170,765)</td>
</tr>
<tr>
<td>and other operating</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenses/ income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and</td>
<td>(15,224)</td>
<td>(1,554)</td>
<td>(45)</td>
<td>(66)</td>
<td>-</td>
<td>-</td>
<td>(16,889)</td>
</tr>
<tr>
<td>amortisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment losses and</td>
<td>(303,976)</td>
<td>(8,443)</td>
<td>-</td>
<td>(58)</td>
<td>(7,731)</td>
<td>77,140</td>
<td>(243,068)</td>
</tr>
<tr>
<td>provisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before</td>
<td>(163,461)</td>
<td>(18,250)</td>
<td>2,500</td>
<td>(214)</td>
<td>(6,979)</td>
<td>73,329</td>
<td>(113,075)</td>
</tr>
<tr>
<td>tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Change of deferred tax</td>
<td>-</td>
<td>-</td>
<td>(16)</td>
<td>-</td>
<td>-</td>
<td>(16)</td>
<td></td>
</tr>
<tr>
<td>Net profit (loss)</td>
<td>(163,463)</td>
<td>(18,250)</td>
<td>2,484</td>
<td>(214)</td>
<td>(6,979)</td>
<td>73,329</td>
<td>(113,093)</td>
</tr>
</tbody>
</table>

Capital expenditure 2,652 - 10 8 1 2,671
Shareholders’ equity 860,512 (58,187) 6,675 1,268 29,905 25,199 865,372
Total assets 11,299,584 495,100 7,024 1,648 40,322 (664,127) 11,179,551
Total liabilities 10,439,072 553,287 349 380 10,417 (689,326) 10,314,179

The Group operates in one geographical segment – Lithuania.

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

## NOTE 1  NET INTEREST INCOME

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>on due from banks</td>
<td>11,446</td>
<td>3,681</td>
<td>11,446</td>
<td>3,681</td>
</tr>
<tr>
<td>on loans and advances to customers</td>
<td>360,446</td>
<td>393,393</td>
<td>374,161</td>
<td>405,036</td>
</tr>
<tr>
<td>on finance lease receivables</td>
<td>19,291</td>
<td>21,106</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>on trading securities</td>
<td>1,372</td>
<td>5,258</td>
<td>1,372</td>
<td>5,021</td>
</tr>
<tr>
<td>on available for sale securities</td>
<td>2,049</td>
<td>3,172</td>
<td>1,852</td>
<td>3,172</td>
</tr>
<tr>
<td>Total</td>
<td>394,604</td>
<td>426,610</td>
<td>388,831</td>
<td>416,910</td>
</tr>
<tr>
<td>on securities at fair value through profit or loss</td>
<td>9,589</td>
<td>18,359</td>
<td>9,589</td>
<td>18,359</td>
</tr>
<tr>
<td>Total interest income</td>
<td>404,193</td>
<td>444,969</td>
<td>398,420</td>
<td>435,269</td>
</tr>
<tr>
<td>Interest expense:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>on due to banks</td>
<td>104,242</td>
<td>100,834</td>
<td>104,242</td>
<td>95,770</td>
</tr>
<tr>
<td>on deposits and other repayable funds from customers</td>
<td>32,692</td>
<td>46,345</td>
<td>32,698</td>
<td>46,358</td>
</tr>
<tr>
<td>on debt securities issued</td>
<td>5,613</td>
<td>28,114</td>
<td>5,613</td>
<td>28,114</td>
</tr>
<tr>
<td>on subordinated loans</td>
<td>9,800</td>
<td>10,422</td>
<td>9,800</td>
<td>10,422</td>
</tr>
<tr>
<td>on fees for compulsory insurance of deposits</td>
<td>20,441</td>
<td>17,333</td>
<td>20,438</td>
<td>17,330</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>172,788</td>
<td>203,048</td>
<td>172,791</td>
<td>197,994</td>
</tr>
<tr>
<td>Net interest income</td>
<td>231,405</td>
<td>241,921</td>
<td>225,629</td>
<td>237,275</td>
</tr>
</tbody>
</table>

## NOTE 2  NET FEE AND COMMISSION INCOME

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and commission income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>on assets under management</td>
<td>1,075</td>
<td>1,282</td>
<td>1,075</td>
<td>1,282</td>
</tr>
<tr>
<td>money transfer operations</td>
<td>33,524</td>
<td>29,842</td>
<td>33,590</td>
<td>29,878</td>
</tr>
<tr>
<td>payment cards services</td>
<td>25,448</td>
<td>18,029</td>
<td>25,448</td>
<td>18,029</td>
</tr>
<tr>
<td>securities operations</td>
<td>1,885</td>
<td>2,358</td>
<td>1,916</td>
<td>2,376</td>
</tr>
<tr>
<td>currency (EUR) exchange</td>
<td>7,118</td>
<td>6,459</td>
<td>7,118</td>
<td>6,459</td>
</tr>
<tr>
<td>trust and other fiduciary activities</td>
<td>5,554</td>
<td>4,747</td>
<td>650</td>
<td>367</td>
</tr>
<tr>
<td>guarantee commissions</td>
<td>3,471</td>
<td>2,942</td>
<td>6,406</td>
<td>7,494</td>
</tr>
<tr>
<td>commissions for intermediation</td>
<td>4,840</td>
<td>2,394</td>
<td>6,719</td>
<td>3,537</td>
</tr>
<tr>
<td>other</td>
<td>6,392</td>
<td>6,988</td>
<td>8,519</td>
<td>6,457</td>
</tr>
<tr>
<td>Total fee and commission income</td>
<td>89,307</td>
<td>74,773</td>
<td>91,441</td>
<td>75,879</td>
</tr>
<tr>
<td>Fee and commission expense:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>money transfer operations</td>
<td>1,583</td>
<td>1,595</td>
<td>1,583</td>
<td>1,595</td>
</tr>
<tr>
<td>payment cards services</td>
<td>14,311</td>
<td>13,083</td>
<td>14,311</td>
<td>13,083</td>
</tr>
<tr>
<td>securities operations</td>
<td>872</td>
<td>303</td>
<td>872</td>
<td>303</td>
</tr>
<tr>
<td>currency (EUR) exchange</td>
<td>1,818</td>
<td>489</td>
<td>1,818</td>
<td>489</td>
</tr>
<tr>
<td>trust and other fiduciary activities</td>
<td>263</td>
<td>400</td>
<td>263</td>
<td>400</td>
</tr>
<tr>
<td>other</td>
<td>636</td>
<td>804</td>
<td>238</td>
<td>169</td>
</tr>
<tr>
<td>Total fee and commission expense</td>
<td>19,483</td>
<td>16,674</td>
<td>19,085</td>
<td>16,039</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>69,824</td>
<td>58,099</td>
<td>72,356</td>
<td>59,840</td>
</tr>
</tbody>
</table>
NOTE 3  NET GAIN (LOSS) ON OPERATIONS WITH SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading securities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gain (loss)</td>
<td>4,181</td>
<td>8,059</td>
<td>4,181</td>
<td>8,059</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>(735)</td>
<td>131</td>
<td>(735)</td>
<td>131</td>
</tr>
<tr>
<td><strong>Net gain (loss) from trading securities</strong></td>
<td>3,446</td>
<td>8,190</td>
<td>3,446</td>
<td>8,190</td>
</tr>
<tr>
<td><strong>Derivative financial instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gain (loss)</td>
<td>(19,703)</td>
<td>12,691</td>
<td>(19,703)</td>
<td>12,691</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>18,157</td>
<td>(27,375)</td>
<td>18,157</td>
<td>(27,375)</td>
</tr>
<tr>
<td><strong>Net gain (loss) from derivative financial instruments</strong></td>
<td>(1,546)</td>
<td>(14,684)</td>
<td>(1,546)</td>
<td>(14,684)</td>
</tr>
<tr>
<td><strong>Securities, available for sale (Note 31):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gain (loss) on debt securities</td>
<td>(90)</td>
<td>120</td>
<td>(112)</td>
<td>83</td>
</tr>
<tr>
<td>Realized gain (loss) on funds units</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net gain (loss) from available for sale securities</strong></td>
<td>(90)</td>
<td>124</td>
<td>(112)</td>
<td>83</td>
</tr>
<tr>
<td><strong>Securities designated at fair value through profit or loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gain (loss)</td>
<td>1,324</td>
<td>1,055</td>
<td>1,324</td>
<td>1,055</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>(4,416)</td>
<td>886</td>
<td>(4,416)</td>
<td>886</td>
</tr>
<tr>
<td><strong>Net gain (loss) on securities designated at fair value through profit or loss</strong></td>
<td>(3,092)</td>
<td>1,941</td>
<td>(3,092)</td>
<td>1,941</td>
</tr>
<tr>
<td>Realized gain (loss) from operations with debt securities issued</td>
<td>517</td>
<td>2,672</td>
<td>517</td>
<td>2,672</td>
</tr>
<tr>
<td>Net gain (loss) from sale of equity securities</td>
<td>-</td>
<td>-</td>
<td>1,069</td>
<td>-</td>
</tr>
<tr>
<td>Received dividends</td>
<td>12</td>
<td>12</td>
<td>1,827</td>
<td>1,660</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(753)</td>
<td>(1,745)</td>
<td>2,109</td>
<td>(138)</td>
</tr>
</tbody>
</table>

NOTE 4  IMPAIRMENT LOSSES AND PROVISIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Impairment losses on loans:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase of impairment losses, net</td>
<td>86,358</td>
<td>237,348</td>
<td>86,358</td>
<td>224,619</td>
</tr>
<tr>
<td>Recovered previously written off loans</td>
<td>(4,827)</td>
<td>(2,405)</td>
<td>(4,027)</td>
<td>(2,405)</td>
</tr>
<tr>
<td><strong>Total impairment losses on loans</strong></td>
<td>82,331</td>
<td>234,943</td>
<td>82,331</td>
<td>222,214</td>
</tr>
<tr>
<td><strong>Impairment losses on finance lease receivables (Note 18)</strong></td>
<td>(1,587)</td>
<td>(44,193)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Impairment losses for other assets</strong></td>
<td>1,519</td>
<td>52,347</td>
<td>1,696</td>
<td>(28)</td>
</tr>
<tr>
<td><strong>Impairment losses for investment in subsidiary</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,819</td>
</tr>
<tr>
<td><strong>Expenses for provisions on guarantees</strong></td>
<td>515</td>
<td>(29)</td>
<td>(8,848)</td>
<td>(40,859)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>82,778</td>
<td>243,068</td>
<td>75,179</td>
<td>263,146</td>
</tr>
</tbody>
</table>
### NOTE 5  OTHER INCOME

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>On sale of property and other security</td>
<td>6,296</td>
<td>8,221</td>
<td>1,333</td>
<td>625</td>
</tr>
<tr>
<td>On rent of property</td>
<td>437</td>
<td>676</td>
<td>511</td>
<td>727</td>
</tr>
<tr>
<td>On services related to IT development</td>
<td>6,659</td>
<td>7,332</td>
<td>6,659</td>
<td>7,332</td>
</tr>
<tr>
<td>On operating lease</td>
<td>350</td>
<td>1,607</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>4,762</td>
<td>3,765</td>
<td>3,386</td>
<td>3,252</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,504</strong></td>
<td><strong>21,601</strong></td>
<td><strong>11,889</strong></td>
<td><strong>11,936</strong></td>
</tr>
</tbody>
</table>

### NOTE 6  PERSONNEL EXPENSES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>63,266</td>
<td>57,245</td>
<td>61,416</td>
<td>55,783</td>
</tr>
<tr>
<td>Social insurance</td>
<td>21,439</td>
<td>19,527</td>
<td>20,840</td>
<td>19,100</td>
</tr>
<tr>
<td>Training and business trip expenses</td>
<td>2,307</td>
<td>2,452</td>
<td>2,237</td>
<td>2,413</td>
</tr>
<tr>
<td>Other</td>
<td>6,952</td>
<td>6,681</td>
<td>6,952</td>
<td>6,681</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93,964</strong></td>
<td><strong>85,905</strong></td>
<td><strong>91,445</strong></td>
<td><strong>83,977</strong></td>
</tr>
</tbody>
</table>

### NOTE 7  DEPRECIATION AND AMORTISATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation of intangible assets</td>
<td>1,847</td>
<td>2,259</td>
<td>1,776</td>
<td>2,030</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment assets</td>
<td>12,111</td>
<td>14,630</td>
<td>11,715</td>
<td>13,194</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,958</strong></td>
<td><strong>16,889</strong></td>
<td><strong>13,491</strong></td>
<td><strong>15,224</strong></td>
</tr>
</tbody>
</table>

### NOTE 8  OTHER ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent of premises and maintenance expenses</td>
<td>15,098</td>
<td>15,081</td>
<td>14,980</td>
<td>14,997</td>
</tr>
<tr>
<td>Transportation, post and communications expenses</td>
<td>9,964</td>
<td>8,472</td>
<td>9,544</td>
<td>8,191</td>
</tr>
<tr>
<td>Advertising and marketing expenses</td>
<td>6,621</td>
<td>3,171</td>
<td>6,442</td>
<td>3,049</td>
</tr>
<tr>
<td>Office equipment and maintenance expenses</td>
<td>11,211</td>
<td>15,873</td>
<td>11,117</td>
<td>15,787</td>
</tr>
<tr>
<td>Cash collection, consultancy and other services expenses</td>
<td>4,213</td>
<td>9,644</td>
<td>4,073</td>
<td>9,403</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
<td>11,692</td>
<td>15,204</td>
<td>11,032</td>
<td>13,520</td>
</tr>
<tr>
<td>Foreclosed assets expenses</td>
<td>3,605</td>
<td>14,129</td>
<td>3,167</td>
<td>332</td>
</tr>
<tr>
<td>Other expenses</td>
<td>12,490</td>
<td>23,280</td>
<td>11,222</td>
<td>21,599</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>74,894</strong></td>
<td><strong>104,854</strong></td>
<td><strong>71,577</strong></td>
<td><strong>86,878</strong></td>
</tr>
</tbody>
</table>
NOTE 9  INCOME TAX

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax for the year</td>
<td>(1,067)</td>
<td>(2)</td>
<td>(1,067)</td>
<td>(2)</td>
</tr>
<tr>
<td>Change of deferred tax asset</td>
<td>39</td>
<td>(16)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>(1,028)</td>
<td>(18)</td>
<td>(1,067)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (loss) before income tax</td>
<td>75,290</td>
<td>(113,075)</td>
<td>82,018</td>
<td>(122,631)</td>
</tr>
<tr>
<td>Tax calculated at a tax rate of 15%</td>
<td>11,294</td>
<td>16,961</td>
<td>12,303</td>
<td>18,395</td>
</tr>
<tr>
<td>Income not subject to tax</td>
<td>(4,568)</td>
<td>4,437</td>
<td>(3,095)</td>
<td>3,996</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>5,140</td>
<td>(9,946)</td>
<td>4,032</td>
<td>(16,888)</td>
</tr>
<tr>
<td>Income on securities subject to tax</td>
<td>-</td>
<td>(2,577)</td>
<td>-</td>
<td>(2,571)</td>
</tr>
<tr>
<td>Change in unrecognised deferred tax asset</td>
<td>(11,850)</td>
<td>(8,893)</td>
<td>(13,263)</td>
<td>(2,934)</td>
</tr>
<tr>
<td>Adjustment of previous year income tax</td>
<td>(1,044)</td>
<td>-</td>
<td>(1,044)</td>
<td>-</td>
</tr>
<tr>
<td>Income tax charge</td>
<td>(1,028)</td>
<td>(18)</td>
<td>(1,067)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

Movement in deferred tax asset

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the year</td>
<td>30,184</td>
<td>30,457</td>
<td>30,188</td>
<td>30,446</td>
</tr>
<tr>
<td>Charge (credit) to equity (Note 31)</td>
<td>(384)</td>
<td>(258)</td>
<td>(384)</td>
<td>(258)</td>
</tr>
<tr>
<td>Income statement credit (charge)</td>
<td>39</td>
<td>(16)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At the end of the year</td>
<td>29,839</td>
<td>30,184</td>
<td>29,804</td>
<td>30,188</td>
</tr>
</tbody>
</table>

In 2011 no deferred tax is related to revaluation of available for sale securities (in 2010 LTL 384 thousand).

15% tax rate was used to calculate deferred income taxes in 2011 and 2010.

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

Group – deferred tax liabilities

<table>
<thead>
<tr>
<th></th>
<th>VAT on long term assets</th>
<th>Valuation of securities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January 2010</td>
<td>2,192</td>
<td>624</td>
<td>2,816</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>(3)</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>As at 1 January 2011</td>
<td>2,189</td>
<td>632</td>
<td>2,821</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>211</td>
<td>(515)</td>
<td>(304)</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>2,400</td>
<td>117</td>
<td>2,517</td>
</tr>
</tbody>
</table>
NOTE 9  INCOME TAX (continued)

Group – deferred income tax asset

<table>
<thead>
<tr>
<th></th>
<th>Depreciation of long-term assets</th>
<th>Valuation of securities</th>
<th>Tax losses</th>
<th>Accrued expenses/deferred income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January 2010</td>
<td>767</td>
<td>862</td>
<td>31,354</td>
<td>290</td>
<td>33,273</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>275</td>
<td>(362)</td>
<td>8,893</td>
<td>77</td>
<td>8,883</td>
</tr>
<tr>
<td>Allowance for deferred tax assets</td>
<td>-</td>
<td>-</td>
<td>(8,893)</td>
<td>-</td>
<td>(8,893)</td>
</tr>
<tr>
<td>Charged/ (credited) to equity</td>
<td>-</td>
<td>(258)</td>
<td>-</td>
<td>-</td>
<td>(258)</td>
</tr>
<tr>
<td>As at 1 January 2011</td>
<td>1,042</td>
<td>242</td>
<td>31,354</td>
<td>367</td>
<td>33,005</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>244</td>
<td>456</td>
<td>(1,030)</td>
<td>65</td>
<td>(265)</td>
</tr>
<tr>
<td>Charged/ (credited) to equity</td>
<td>-</td>
<td>(384)</td>
<td>-</td>
<td>-</td>
<td>(384)</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>1,286</td>
<td>314</td>
<td>30,324</td>
<td>433</td>
<td>32,356</td>
</tr>
</tbody>
</table>

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. The deferred tax assets recognised at 31 December 2011 in respect of tax losses have been based on profitability assumptions over three year horizon. The expected future taxable profits are based on business plan assumptions taking into consideration uncertainties arising from the current adverse economic environment. If the business plan earnings and assumptions in following quarters substantially deviate from the current assumptions, the amount of existing deferred tax assets may need to be adjusted.

As at 31 December 2011 the Group has LTL 420,486 thousand of unused tax losses which has no expiry date.

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

Bank – deferred income tax liability

<table>
<thead>
<tr>
<th></th>
<th>VAT on long term assets</th>
<th>Valuation of securities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January 2010</td>
<td>2,192</td>
<td>624</td>
<td>2,816</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>(3)</td>
<td>(23)</td>
<td>(26)</td>
</tr>
<tr>
<td>As at 1 January 2011</td>
<td>2,189</td>
<td>601</td>
<td>2,790</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>211</td>
<td>(484)</td>
<td>(273)</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>2,400</td>
<td>117</td>
<td>2,517</td>
</tr>
</tbody>
</table>
NOTE 9 INCOME TAX (continued)

Bank – deferred income tax asset

<table>
<thead>
<tr>
<th></th>
<th>Depreciation of long-term assets</th>
<th>Valuation of securities</th>
<th>Tax losses</th>
<th>Accrued expenses/deferred income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 January 2010</td>
<td>767</td>
<td>853</td>
<td>31,354</td>
<td>287</td>
<td>33,261</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>275</td>
<td>(353)</td>
<td>2,934</td>
<td>53</td>
<td>2,909</td>
</tr>
<tr>
<td>Allowance for deferred tax assets</td>
<td>-</td>
<td>-</td>
<td>(2,934)</td>
<td>-</td>
<td>(2,934)</td>
</tr>
<tr>
<td>Charged/ (credited) to equity</td>
<td>-</td>
<td>(258)</td>
<td>-</td>
<td>-</td>
<td>(258)</td>
</tr>
<tr>
<td>As at 1 January 2011</td>
<td>1,042</td>
<td>242</td>
<td>31,354</td>
<td>340</td>
<td>32,978</td>
</tr>
<tr>
<td>Charged/ (credited) in income statement</td>
<td>244</td>
<td>439</td>
<td>(1,030)</td>
<td>74</td>
<td>(273)</td>
</tr>
<tr>
<td>Charged/ (credited) to equity</td>
<td>-</td>
<td>(384)</td>
<td>-</td>
<td>-</td>
<td>(384)</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>1,286</td>
<td>297</td>
<td>30,324</td>
<td>414</td>
<td>32,321</td>
</tr>
</tbody>
</table>

As at 31 December 2011 the Bank has LTL 340,205 thousand of unused tax losses to carry forward which has no expiry date.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax assets</td>
<td>32,356</td>
<td>33,005</td>
<td>32,321</td>
<td>32,978</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>(2,517)</td>
<td>(2,821)</td>
<td>(2,517)</td>
<td>(2,790)</td>
</tr>
<tr>
<td></td>
<td>29,839</td>
<td>30,184</td>
<td>29,804</td>
<td>30,188</td>
</tr>
</tbody>
</table>
NOTE 10 EARNINGS PER SHARE

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

Calculation of weighted average for 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>Number of shares</th>
<th>Par value</th>
<th>Issued/365 (days)</th>
<th>Weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,710,134</td>
<td>115</td>
<td>365/365</td>
<td>5,710,134</td>
</tr>
</tbody>
</table>

Calculation of weighted average for 2010

<table>
<thead>
<tr>
<th>Note</th>
<th>Number of shares</th>
<th>Par value</th>
<th>Issued/365 (days)</th>
<th>Weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,710,134</td>
<td>115</td>
<td>365/365</td>
<td>5,710,134</td>
</tr>
</tbody>
</table>

- 2011
- 2010

Group

Profit attributed to equity holders of the parent: 74,262 (113,093)
Weighted average number of issued shares (units): 5,710,134 (5,710,134)
Earnings per share (LTL per share): 13.01 (19.81)

The 2011 and 2010 diluted earnings per share ratios are the same as basic earnings per share.

NOTE 11 CASH AND BALANCES WITH CENTRAL BANKS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and other valuables</td>
<td>322,421</td>
<td>225,250</td>
<td>322,421</td>
<td>225,250</td>
</tr>
<tr>
<td>Placements with Central Bank:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compulsory reserves in national currency</td>
<td>310,877</td>
<td>242,806</td>
<td>310,877</td>
<td>242,806</td>
</tr>
<tr>
<td>Correspondent account with central bank</td>
<td>130,130</td>
<td>57,786</td>
<td>130,130</td>
<td>57,786</td>
</tr>
<tr>
<td>Total</td>
<td>763,428</td>
<td>525,842</td>
<td>763,428</td>
<td>525,842</td>
</tr>
</tbody>
</table>

Required reserves held with the bank of Lithuania are calculated monthly on a basis of previous month end liabilities and 4% (4% as of 31 December 2010) required reserves rate is applied. All required reserves are held only in LTL. The Bank of Lithuania pays interest for the required reserves, calculated according to the requirements of European Central Bank (ECB). There is no interest for the remaining compulsory reserves. The interest rate for the interest bearing part is equal to the ECB refinancing interest rate, valid on the day of transaction.

NOTE 12 DUE FROM BANKS

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand deposits</td>
<td>69,077</td>
<td>190,687</td>
<td>69,077</td>
<td>190,687</td>
</tr>
<tr>
<td>of which funds to secure the derivatives deals</td>
<td>13,086</td>
<td>23,217</td>
<td>13,086</td>
<td>23,217</td>
</tr>
<tr>
<td>Term deposits</td>
<td>767,138</td>
<td>292,717</td>
<td>767,138</td>
<td>292,717</td>
</tr>
<tr>
<td>Short term loans</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>836,215</td>
<td>483,406</td>
<td>836,215</td>
<td>483,406</td>
</tr>
</tbody>
</table>

There were no allowances for impairment against due from banks neither at Bank nor at the Group level as of end of 2011 and 2010. Respectively, there were no changes in allowance for loan impairment and write-offs for such due and allowances in 2010 and 2011.
NOTE 13 TRADING SECURITIES

Group (Bank)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th></th>
<th>2010</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>quoted</td>
<td>valuation</td>
<td>quoted</td>
<td>valuation</td>
</tr>
<tr>
<td></td>
<td>prices</td>
<td>techniques</td>
<td>prices</td>
<td>techniques</td>
</tr>
<tr>
<td></td>
<td>not based on</td>
<td>based on</td>
<td>not based on</td>
<td>based on</td>
</tr>
<tr>
<td></td>
<td>observable market data</td>
<td>observable market data</td>
<td>observable market data</td>
<td>observable market data</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government bonds and treasury bills of the Republic of Lithuania</td>
<td>31,184</td>
<td>-</td>
<td>-</td>
<td>21,370</td>
</tr>
<tr>
<td>Bonds issued by other banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government bonds of foreign issuers</td>
<td>1,005</td>
<td>-</td>
<td>-</td>
<td>489</td>
</tr>
<tr>
<td>Total</td>
<td>32,189</td>
<td>-</td>
<td>-</td>
<td>21,859</td>
</tr>
</tbody>
</table>

In 2010 and 2011 Bank has pledged part of Lithuanian government bonds under repurchase agreements to individuals. Balance amount of repurchase was respectively LTL 9,258 thousand and LTL 9,180 thousand.

The movement of securities between levels is presented below:

Group (Bank)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th></th>
<th>2010</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers into level 2</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transfers out of level 2</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Unrealised gains/losses for assets held at the end of the reporting period included in equity</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Realised gains/losses for assets held at the end of the reporting period included in profit or loss</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>As at 1 January 2011</td>
<td>8,318</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 1 January 2010</td>
<td></td>
<td></td>
<td>8,318</td>
<td></td>
</tr>
<tr>
<td>Transfers into level 2</td>
<td>-</td>
<td></td>
<td>8,318</td>
<td></td>
</tr>
<tr>
<td>Transfers out of level 2</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Unrealised gains/losses for assets held at the end of the reporting period included in equity</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Realised gains/losses for assets held at the end of the reporting period included in profit or loss</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td></td>
<td></td>
<td>8,318</td>
<td></td>
</tr>
<tr>
<td>As at 31 December 2010</td>
<td>8,318</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE 14  SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Group (Bank)

<table>
<thead>
<tr>
<th>Fair value measurement based on:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>quoted prices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>valuation techniques based on observable market data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>valuation techniques not based on observable market data</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Government bonds and treasury bills of the Republic of Lithuania
Bonds issued by other banks
Government bonds of foreign issuers

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds and treasury bills of the Republic of Lithuania</td>
<td>388,287</td>
<td>408,376</td>
</tr>
<tr>
<td>Bonds issued by other banks</td>
<td>-</td>
<td>13,995</td>
</tr>
<tr>
<td>Government bonds of foreign issuers</td>
<td>-</td>
<td>7,437</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>388,287</strong></td>
<td><strong>438,066</strong></td>
</tr>
</tbody>
</table>

The movement of securities between levels is presented below:

Group (Bank)

As at 1 January 2011

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers into level 2</td>
<td>-</td>
</tr>
<tr>
<td>Transfers out of level 2</td>
<td>-</td>
</tr>
<tr>
<td>Unrealised gains/losses for assets held at the end of the reporting period included in equity</td>
<td>-</td>
</tr>
<tr>
<td>Realised gains/losses for assets held at the end of the reporting period included in profit or loss</td>
<td>-</td>
</tr>
<tr>
<td>Sales</td>
<td>(21,432)</td>
</tr>
<tr>
<td><strong>As at 31 December 2011</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

As at 1 January 2010

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers into level 2</td>
<td>21,432</td>
</tr>
<tr>
<td>Transfers out of level 2</td>
<td>-</td>
</tr>
<tr>
<td>Unrealised gains/losses for assets held at the end of the reporting period included in equity</td>
<td>-</td>
</tr>
<tr>
<td>Realised gains/losses for assets held at the end of the reporting period included in profit or loss</td>
<td>-</td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
</tr>
<tr>
<td><strong>As at 31 December 2010</strong></td>
<td><strong>21,432</strong></td>
</tr>
</tbody>
</table>

Yields and duration till maturity of these securities are as follows:

Group (Bank)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td>Maturity (in years)</td>
<td>Maturity (in years)</td>
</tr>
<tr>
<td>Government bonds of the Republic of Lithuania</td>
<td>3.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Government bonds of foreign issuers</td>
<td>-</td>
<td>2.9</td>
</tr>
<tr>
<td>Bonds issued by other banks</td>
<td>-</td>
<td>8.8</td>
</tr>
</tbody>
</table>
NOTE 15  DERIVATIVE FINANCIAL INSTRUMENTS

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

- Currency forwards, which represent commitments to purchase and/or sell foreign and domestic currency in the future at a fixed price.
- Foreign exchange swap deals – agreements to exchange different currencies at an agreed rate for a certain time period. At the same time it is agreed to buy and at later date to sell a certain amount of the same currency for another currency.
- Interest rate swaps – contractual agreements according to which a cash flow based on the fixed interest rate calculated on the notional amount is replaced with a cash flow based on the floating interest rate calculated on the same notional amount or vice versa. In addition, interest rate swaps of floating vs. floating or fixed vs. fixed interest rate cash flows as well as those where currencies are swapped in addition to the interest rates can be contracted.
- Interest rate collars – agreements that set limits on a variable interest rate payable by the buyer: the buyer has the right to receive compensation when an interest rate exceeds a certain level (ceiling) and an obligation to pay compensation when an interest rate falls below a certain level (floor). Upon making the agreement, the buyer of a collar pays or receives (depending on the terms) an initial payment – a premium.
- Option deals on currencies, equity and commodities – agreements by which the seller grants a non-obligating right to the buyer on a certain date to buy (call option) or to sell (put option) an underlying of such an agreement (currency, equity or commodities) for a price agreed beforehand. For equities and commodities, the Group uses only options that are executed in cash – that is the seller pays to the buyer a certain amount that depends on the price change, if such change was in the buyer’s favour. The buyer pays a certain commission or premium to the seller in advance, when the deal is made. The Group seeks to use option deals without taking any additional risk: when a deal is made with the client, at the same time opposite deals are made with other banks.
- Credit default swaps (CDS), which are used as a protection against a default event of a certain reference entity. The buyer of CDS receives a protection and pays a preset annual rate for that. In case of default of a reference entity, the buyer would receive from the seller the payment of the nominal amount of CDS reduced by the expected recovery rate.

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Notional amounts</th>
<th>Fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Purchase</td>
<td>Sale</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX forwards, swaps, put, call options</td>
<td>2,318,463</td>
<td>2,314,713</td>
</tr>
<tr>
<td>Interest rate swaps, collars</td>
<td>960,907</td>
<td>949,685</td>
</tr>
<tr>
<td>Equity linked options</td>
<td>68,198</td>
<td>-</td>
</tr>
<tr>
<td>Credit related agreements</td>
<td>17,495</td>
<td>8,632</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,365,063</strong></td>
<td><strong>3,273,030</strong></td>
</tr>
<tr>
<td>As at 31 December 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX forwards, swaps, put, call options</td>
<td>1,821,727</td>
<td>1,824,867</td>
</tr>
<tr>
<td>Interest rate swaps, collars</td>
<td>3,570,011</td>
<td>3,570,011</td>
</tr>
<tr>
<td>Equity linked options</td>
<td>146,916</td>
<td>-</td>
</tr>
<tr>
<td>Credit related agreements</td>
<td>17,495</td>
<td>8,632</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,556,149</strong></td>
<td><strong>5,403,510</strong></td>
</tr>
</tbody>
</table>
NOTE 16  SECURITIES AVAILABLE FOR SALE

Group

<table>
<thead>
<tr>
<th></th>
<th>2011 Fair value measurement based on:</th>
<th>2010 Fair value measurement based on:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>quoted prices</td>
<td>valuation techniques based on observable market data</td>
</tr>
<tr>
<td></td>
<td>valuation techniques based on observable market data</td>
<td>valuation techniques not based on observable market data</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government bonds and treasury bills of the Republic of Lithuania</td>
<td>4,543</td>
<td>4,729</td>
</tr>
<tr>
<td>Bonds of the banks</td>
<td>-</td>
<td>317,600</td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Units of funds</td>
<td>591</td>
<td>700</td>
</tr>
<tr>
<td>Other</td>
<td>915</td>
<td>896</td>
</tr>
<tr>
<td>Total</td>
<td>6,049</td>
<td>323,925</td>
</tr>
</tbody>
</table>

Bank

<table>
<thead>
<tr>
<th></th>
<th>2011 Fair value measurement based on:</th>
<th>2010 Fair value measurement based on:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>quoted prices</td>
<td>valuation techniques based on observable market data</td>
</tr>
<tr>
<td></td>
<td>valuation techniques based on observable market data</td>
<td>valuation techniques not based on observable market data</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds of the banks</td>
<td>-</td>
<td>317,600</td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>915</td>
<td>896</td>
</tr>
<tr>
<td>Total</td>
<td>915</td>
<td>318,496</td>
</tr>
</tbody>
</table>

Total amount of available for sale securities are unimpaired assets. There were no movement of securities between valuation techniques during 2011 and 2010.

NOTE 17  LOANS AND ADVANCES TO CUSTOMERS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to financial institutions</td>
<td>45</td>
<td>67</td>
<td>292,545</td>
<td>548,328</td>
</tr>
<tr>
<td>Loans to business customers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Public authorities, state and municipal entities</td>
<td>705,221</td>
<td>573,030</td>
<td>705,221</td>
<td>573,030</td>
</tr>
<tr>
<td>- Large corporates</td>
<td>2,410,616</td>
<td>2,330,453</td>
<td>2,410,616</td>
<td>2,330,453</td>
</tr>
<tr>
<td>- SMEs</td>
<td>1,756,895</td>
<td>2,122,341</td>
<td>1,822,916</td>
<td>2,132,691</td>
</tr>
<tr>
<td>- Farmers</td>
<td>241,311</td>
<td>230,956</td>
<td>241,311</td>
<td>230,956</td>
</tr>
<tr>
<td>- Other</td>
<td>3,738</td>
<td>4,747</td>
<td>3,738</td>
<td>4,747</td>
</tr>
<tr>
<td>Total loans to business customers</td>
<td>5,117,781</td>
<td>5,261,527</td>
<td>5,183,802</td>
<td>5,271,877</td>
</tr>
<tr>
<td>Loans to individuals (retail):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Consumer loans</td>
<td>206,305</td>
<td>278,968</td>
<td>206,305</td>
<td>278,968</td>
</tr>
<tr>
<td>- Mortgages</td>
<td>3,903,150</td>
<td>3,886,180</td>
<td>3,903,150</td>
<td>3,886,180</td>
</tr>
<tr>
<td>- Loans secured by equity linked bonds issued by Bank</td>
<td>66,597</td>
<td>91,383</td>
<td>66,597</td>
<td>91,383</td>
</tr>
<tr>
<td>- Other</td>
<td>32,619</td>
<td>76,499</td>
<td>32,619</td>
<td>76,499</td>
</tr>
<tr>
<td>Total loans to individuals (retail)</td>
<td>4,206,671</td>
<td>4,333,030</td>
<td>4,206,671</td>
<td>4,333,030</td>
</tr>
<tr>
<td>Total gross loans granted</td>
<td>9,326,497</td>
<td>9,594,624</td>
<td>9,685,018</td>
<td>10,153,235</td>
</tr>
<tr>
<td>Total allowance for impairment:</td>
<td>(802,312)</td>
<td>(862,625)</td>
<td>(802,312)</td>
<td>(862,625)</td>
</tr>
<tr>
<td>to financial institutions</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>to business customers</td>
<td>(531,578)</td>
<td>(624,095)</td>
<td>(531,578)</td>
<td>(624,095)</td>
</tr>
<tr>
<td>to individuals</td>
<td>(270,734)</td>
<td>(238,530)</td>
<td>(270,734)</td>
<td>(238,530)</td>
</tr>
<tr>
<td>Total net loans and advances to customers</td>
<td>8,524,185</td>
<td>8,731,999</td>
<td>8,882,706</td>
<td>9,290,610</td>
</tr>
</tbody>
</table>
NOTE 17  LOANS AND ADVANCES TO CUSTOMERS (continued)

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

Allowance for impairment

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

#### 31 December 2011

<table>
<thead>
<tr>
<th></th>
<th>Group and Bank loans to individuals (retail)</th>
<th>Group and Bank loans to business customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2011</td>
<td>238,530</td>
<td>624,095</td>
</tr>
<tr>
<td>Change in allowance for loan impairment</td>
<td>54,129</td>
<td>31,417</td>
</tr>
<tr>
<td>Loans written off during the year as uncollectible</td>
<td>(21,925)</td>
<td>(123,934)</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>270,734</td>
<td>531,578</td>
</tr>
<tr>
<td>Individual impairment</td>
<td>250,726</td>
<td>520,929</td>
</tr>
<tr>
<td>Collective impairment</td>
<td>20,008</td>
<td>10,649</td>
</tr>
<tr>
<td></td>
<td>270,734</td>
<td>531,578</td>
</tr>
<tr>
<td>Gross amount of loans, individually determined to be impaired, before deducting the individually assessed impairment allowance</td>
<td>619,957</td>
<td>1,147,335</td>
</tr>
</tbody>
</table>

#### 31 December 2010

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


There was no allowance for impairment against loans and advances financial institutions neither at Bank nor at the Group level as of end of 2011. Respectively, there were no changes in allowance for loan impairment and write-offs for such loans and allowances in 2011 and 2010.
NOTE 18  FINANCE LEASE RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>Up to one year</th>
<th>From 1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross investments in leasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2010</td>
<td>238,974</td>
<td>242,168</td>
<td>20,154</td>
<td>501,296</td>
</tr>
<tr>
<td>Change during 2011</td>
<td>(38,685)</td>
<td>(58,010)</td>
<td>(6,611)</td>
<td>(103,306)</td>
</tr>
<tr>
<td>Balance as at 31 December 2011</td>
<td>200,289</td>
<td>184,158</td>
<td>13,543</td>
<td>397,990</td>
</tr>
<tr>
<td>Unearned finance income on finance leases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2010</td>
<td>12,696</td>
<td>13,457</td>
<td>1,415</td>
<td>27,568</td>
</tr>
<tr>
<td>Change during 2011</td>
<td>(1,865)</td>
<td>(1,463)</td>
<td>(76)</td>
<td>(3,404)</td>
</tr>
<tr>
<td>Balance as at 31 December 2011</td>
<td>10,831</td>
<td>11,994</td>
<td>1,339</td>
<td>24,164</td>
</tr>
<tr>
<td>Net investments in finance leases before impairment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December 2010</td>
<td>226,278</td>
<td>228,711</td>
<td>18,739</td>
<td>473,728</td>
</tr>
<tr>
<td>31 December 2011</td>
<td>189,458</td>
<td>172,164</td>
<td>12,204</td>
<td>373,826</td>
</tr>
<tr>
<td>Changes in impairment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2009</td>
<td>20,296</td>
<td>111,134</td>
<td>1,016</td>
<td>132,446</td>
</tr>
<tr>
<td>Increase (decrease) in impairment (Note 4)</td>
<td>22,129</td>
<td>(66,292)</td>
<td>(30)</td>
<td>(44,193)</td>
</tr>
<tr>
<td>Balance as at 31 December 2010</td>
<td>42,425</td>
<td>44,842</td>
<td>986</td>
<td>88,253</td>
</tr>
<tr>
<td>Increase (decrease) in impairment (Note 4)</td>
<td>(856)</td>
<td>(152)</td>
<td>(579)</td>
<td>(1,587)</td>
</tr>
<tr>
<td>Lease receivables written-off during the year as uncollectible</td>
<td>-</td>
<td>(8,663)</td>
<td></td>
<td>(8,663)</td>
</tr>
<tr>
<td>Balance as at 31 December 2011</td>
<td>41,569</td>
<td>36,027</td>
<td>407</td>
<td>78,003</td>
</tr>
<tr>
<td>Net investments in finance leases after impairment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December 2010</td>
<td>183,853</td>
<td>183,869</td>
<td>17,753</td>
<td>385,475</td>
</tr>
<tr>
<td>31 December 2011</td>
<td>147,889</td>
<td>136,137</td>
<td>11,797</td>
<td>295,823</td>
</tr>
</tbody>
</table>

NOTE 19  INVESTMENTS IN SUBSIDIARIES

<table>
<thead>
<tr>
<th></th>
<th>Share</th>
<th>Nominal value</th>
<th>Impairment losses</th>
<th>Carrying value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in consolidated subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB DNB Lizingas</td>
<td>100%</td>
<td>172,335</td>
<td>(105,006)</td>
<td>67,329</td>
<td>10</td>
</tr>
<tr>
<td>UAB DNB Investicijų valdymas</td>
<td>100%</td>
<td>4,000</td>
<td></td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>UAB DNB Būstas</td>
<td>75.47%</td>
<td>3,700</td>
<td>(960)</td>
<td>2,740</td>
<td>2,740</td>
</tr>
<tr>
<td>UAB Intractus</td>
<td>100%</td>
<td>81,602</td>
<td></td>
<td>81,602</td>
<td>5,765</td>
</tr>
<tr>
<td>UAB Gėlužės projektai</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>7,600</td>
</tr>
<tr>
<td>Total</td>
<td>(105,966)</td>
<td>155,671</td>
<td></td>
<td>20,115</td>
<td></td>
</tr>
</tbody>
</table>

During 2011 based on estimated expected future cash flows, business growth and risk costs of subsidiary the Bank increased the authorized capital by LTL 143,156 thousand: AB DNB Lizingas – LTL 67,319 thousand, UAB Intractus – LTL 75,837 thousand. Part of UAB Intractus authorized capital (LTL 23,611 thousand) was increased by purchasing ordinary registered shares from AB DNB Lizingas. During 2010 Bank recognised LTL 81,819 thousand impairment loss for investment into subsidiary: AB DnB Lizingas – LTL 67,319 thousand, UAB DNB Būstas – LTL 960 thousand, UAB Gėlužės projektai – LTL 13,534 thousand). On 19 October 2011 Bank sold subsidiary UAB Gėlužės projektai to its subsidiary UAB Intractus. The fair value of the assets – LTL 8,669 thousand. Bank recognised LTL 1,069 thousand of income from sale transaction.
## NOTE 20 PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th>Group</th>
<th>Buildings and premises</th>
<th>Vehicles</th>
<th>Equipment</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2010</td>
<td>98,625</td>
<td>14,568</td>
<td>74,515</td>
<td>15</td>
<td>187,723</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-</td>
<td>1,963</td>
<td>-</td>
<td>1,963</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>(10,213)</td>
<td>(2,539)</td>
<td>-</td>
<td>(12,752)</td>
</tr>
<tr>
<td><strong>At 31 December 2010</strong></td>
<td>98,625</td>
<td>4,355</td>
<td>73,939</td>
<td>15</td>
<td>176,934</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-</td>
<td>6,085</td>
<td>-</td>
<td>6,085</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>(3,044)</td>
<td>(3,416)</td>
<td>(15)</td>
<td>(6,475)</td>
</tr>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td>98,625</td>
<td>1,311</td>
<td>76,608</td>
<td>-</td>
<td>176,544</td>
</tr>
<tr>
<td><strong>Depreciation and impairment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2010</td>
<td>20,850</td>
<td>6,471</td>
<td>44,089</td>
<td>-</td>
<td>71,410</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>(5,397)</td>
<td>(2,370)</td>
<td>-</td>
<td>(7,767)</td>
</tr>
<tr>
<td>Depreciation charge for year</td>
<td>3,293</td>
<td>1,349</td>
<td>9,988</td>
<td>-</td>
<td>14,630</td>
</tr>
<tr>
<td><strong>At 31 December 2010</strong></td>
<td>24,143</td>
<td>2,423</td>
<td>51,707</td>
<td>-</td>
<td>78,273</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>(1,841)</td>
<td>(3,017)</td>
<td>-</td>
<td>(4,858)</td>
</tr>
<tr>
<td>Depreciation charge for year</td>
<td>3,293</td>
<td>356</td>
<td>8,462</td>
<td>-</td>
<td>12,111</td>
</tr>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td>27,436</td>
<td>938</td>
<td>57,152</td>
<td>-</td>
<td>85,526</td>
</tr>
<tr>
<td><strong>Net book value:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2010</td>
<td>77,775</td>
<td>8,097</td>
<td>30,426</td>
<td>15</td>
<td>116,313</td>
</tr>
<tr>
<td>At 31 December 2010</td>
<td>74,482</td>
<td>1,932</td>
<td>22,232</td>
<td>15</td>
<td>98,661</td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td>71,189</td>
<td>373</td>
<td>19,456</td>
<td>-</td>
<td>91,018</td>
</tr>
<tr>
<td><strong>Economic life (in years):</strong></td>
<td>50</td>
<td>6</td>
<td>3-10</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

| 31 December 2010 | 1,602 | - | 25,256 | - | 26,858 |
| 31 December 2011 | 1,602 | - | 31,025 | - | 32,627 |

From the total Group assets amount stated above the assets under operating lease agreements as at 31 December 2011 amounted to 373 LTL thousand (in 2010 LTL 1,968 thousand) and are as follows:

<table>
<thead>
<tr>
<th>Vehicles</th>
<th>Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2010</td>
<td>14,568</td>
<td>243</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>(10,213)</td>
<td>(122)</td>
</tr>
<tr>
<td><strong>At 31 December 2010</strong></td>
<td>4,355</td>
<td>121</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>(3,044)</td>
<td>(121)</td>
</tr>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td>1,311</td>
<td>-</td>
</tr>
<tr>
<td><strong>Depreciation and impairment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2010</td>
<td>6,471</td>
<td>81</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>(5,397)</td>
<td>(16)</td>
</tr>
<tr>
<td>Depreciation charge for year</td>
<td>1,349</td>
<td>20</td>
</tr>
<tr>
<td><strong>At 31 December 2010</strong></td>
<td>2,423</td>
<td>85</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>(1,841)</td>
<td>(101)</td>
</tr>
<tr>
<td>Depreciation charge for year</td>
<td>356</td>
<td>16</td>
</tr>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td>938</td>
<td>-</td>
</tr>
</tbody>
</table>

**Net book value:**

| At 1 January 2010 | 8,097 | 162 | 8,259 |
| At 31 December 2010 | 1,932 | 36 | 1,968 |
| At 31 December 2011 | 373 | - | 373 |

**Economic life (in years):**

6 6 -
**NOTE 20  PROPERTY, PLANT AND EQUIPMENT (continued)**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Buildings and premises</th>
<th>Vehicles</th>
<th>Equipment</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2010</td>
<td>98,625</td>
<td>-</td>
<td>73,838</td>
<td>15</td>
<td>172,478</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-</td>
<td>1,956</td>
<td>-</td>
<td>1,956</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>-</td>
<td>(2,379)</td>
<td>-</td>
<td>(2,379)</td>
</tr>
<tr>
<td><strong>At 31 December 2010</strong></td>
<td><strong>98,625</strong></td>
<td><strong>-</strong></td>
<td><strong>73,415</strong></td>
<td><strong>15</strong></td>
<td><strong>172,055</strong></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>-</td>
<td>-</td>
<td>6,076</td>
<td>-</td>
<td>6,076</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>-</td>
<td>(3,269)</td>
<td>(15)</td>
<td>(3,284)</td>
</tr>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td><strong>98,625</strong></td>
<td><strong>-</strong></td>
<td><strong>76,222</strong></td>
<td><strong>-</strong></td>
<td><strong>174,847</strong></td>
</tr>
<tr>
<td>Depreciation and impairment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2010</td>
<td>20,850</td>
<td>-</td>
<td>43,687</td>
<td>-</td>
<td>64,537</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>-</td>
<td>(2,325)</td>
<td>-</td>
<td>(2,325)</td>
</tr>
<tr>
<td>Depreciation charge for year</td>
<td>3,293</td>
<td>-</td>
<td>9,901</td>
<td>-</td>
<td>13,194</td>
</tr>
<tr>
<td>At 31 December 2010</td>
<td>24,143</td>
<td>-</td>
<td>51,263</td>
<td>-</td>
<td>75,406</td>
</tr>
<tr>
<td>Disposals and write-offs</td>
<td>-</td>
<td>-</td>
<td>(2,890)</td>
<td>-</td>
<td>(2,890)</td>
</tr>
<tr>
<td>Depreciation charge for year</td>
<td>3,293</td>
<td>-</td>
<td>8,422</td>
<td>-</td>
<td>11,715</td>
</tr>
<tr>
<td><strong>At 31 December 2011</strong></td>
<td><strong>27,436</strong></td>
<td><strong>-</strong></td>
<td><strong>56,795</strong></td>
<td><strong>-</strong></td>
<td><strong>84,231</strong></td>
</tr>
<tr>
<td>Net book value:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2010</td>
<td>77,775</td>
<td>-</td>
<td>30,151</td>
<td>15</td>
<td>107,941</td>
</tr>
<tr>
<td>At 31 December 2010</td>
<td>74,482</td>
<td>-</td>
<td>22,152</td>
<td>15</td>
<td>96,649</td>
</tr>
<tr>
<td>At 31 December 2011</td>
<td>71,189</td>
<td>-</td>
<td>19,427</td>
<td>-</td>
<td>90,616</td>
</tr>
<tr>
<td>Economic life (in years)</td>
<td>50</td>
<td></td>
<td>3-10</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

No assets were pledged to a third party as at 31 December 2011 and 31 December 2010.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment as at 31 December 2011 and 31 December 2010.

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

<table>
<thead>
<tr>
<th></th>
<th>Buildings and premises</th>
<th>Vehicles</th>
<th>Equipment</th>
<th>Construction in progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2010</td>
<td>1,602</td>
<td>-</td>
<td>25,067</td>
<td></td>
</tr>
<tr>
<td>31 December 2011</td>
<td>1,602</td>
<td>-</td>
<td>30,605</td>
<td></td>
</tr>
</tbody>
</table>
NOTE 21  INVESTMENT PROPERTY

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Book value as at 1 January 2010</strong></td>
<td>754</td>
<td>-</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>39,850</td>
<td>-</td>
</tr>
<tr>
<td>acquisitions through business combinations</td>
<td>7,600</td>
<td>-</td>
</tr>
<tr>
<td>other acquisitions</td>
<td>32,250</td>
<td>-</td>
</tr>
<tr>
<td>Additions, capitalised investments</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Net gains resulting from adjustment to fair value</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(350)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Book value as at 31 December 2010</strong></td>
<td>40,271</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Book value as at 1 January 2011</strong></td>
<td>40,271</td>
<td>-</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>97,081</td>
<td>-</td>
</tr>
<tr>
<td>Net gains resulting from adjustment to fair value</td>
<td>1,547</td>
<td>-</td>
</tr>
<tr>
<td><strong>Book value as at 31 December 2011</strong></td>
<td>138,899</td>
<td>-</td>
</tr>
</tbody>
</table>

Rental income from investment properties 236 -
Direct expenses (including repairs and maintenance) related to investment properties not generating rental income 407 -

Investment properties are stated at fair value, which has been determined according to valuations performed by accredited independent valuers. The valuation model for the Group's investment properties was formed based on comparable property objects sold during the years 2010 and 2011.

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

<table>
<thead>
<tr>
<th>Land plots</th>
<th>Average prices per are, in LTL thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>2.0 - 20.0</td>
</tr>
<tr>
<td>Residential</td>
<td>2.0 - 80.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.1 - 15.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Buildings</th>
<th>Average prices per sq.m., in LTL thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>1.0 - 12.0</td>
</tr>
<tr>
<td>Storage</td>
<td>0.6 - 1.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.1 - 1.2</td>
</tr>
<tr>
<td>Other</td>
<td>0.1 - 6.0</td>
</tr>
</tbody>
</table>
NOTE 22  INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th>31 December 2009</th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>23,297</td>
<td>21,948</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(13,098)</td>
<td>(12,062)</td>
</tr>
<tr>
<td><strong>Net book value</strong></td>
<td><strong>10,199</strong></td>
<td><strong>9,886</strong></td>
</tr>
</tbody>
</table>

Year ended as at 31 December 2010

| Net book value as at 1 January | 10,199 | 9,886 |
| Acquisitions                  | 708    | 696   |
| Amortisation charge           | (2,259)| (2,030)|
| Reclassifications             | (2,642)| (2,643)|
| **Disposals and write-offs**  | -      | -     |
| **Net book value as at 31 December** | **6,006** | **5,909** |

Year ended as at 31 December 2011

| Net book value as at 1 January | 6,006 | 5,909 |
| Acquisitions                  | 2,106 | 2,098 |
| Amortisation charge           | (1,847)| (1,776)|
| **Disposals and write-offs**  | -      | -     |
| **Net book value as at 31 December** | **6,265** | **6,231** |

Economic life (in years)

| 3-5 | 5 |

No assets were pledged to a third party as at 31 December 2011 and 31 December 2010. Intangible assets include purchased computer software and software licences.

The cost of fully amortised intangible assets that are still in use:

<table>
<thead>
<tr>
<th>31 December 2010</th>
<th>9,612</th>
<th>8,635</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2011</td>
<td>12,636</td>
<td>11,377</td>
</tr>
</tbody>
</table>

NOTE 23  OTHER ASSETS

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accrued income</strong></td>
<td>8,006</td>
</tr>
<tr>
<td><strong>Deferred expenses</strong></td>
<td>3,251</td>
</tr>
<tr>
<td><strong>Repossessed assets</strong></td>
<td>30,853</td>
</tr>
<tr>
<td><strong>Assets bought for leasing activities</strong></td>
<td>1,412</td>
</tr>
<tr>
<td><strong>Prepayments and receivables</strong></td>
<td>9,356</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>3,546</td>
</tr>
<tr>
<td><strong>Retrieved assets under cancelled lease contracts</strong></td>
<td>30,734</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross</th>
</tr>
</thead>
<tbody>
<tr>
<td>87,158</td>
</tr>
<tr>
<td>73,208</td>
</tr>
<tr>
<td>47,444</td>
</tr>
<tr>
<td>14,930</td>
</tr>
</tbody>
</table>

Less: allowance for impairment of retrieved assets under cancelled lease contracts

<table>
<thead>
<tr>
<th>(19,150)</th>
<th>(31,066)</th>
</tr>
</thead>
</table>

Less: allowance for impairment of other assets

<table>
<thead>
<tr>
<th>(3,344)</th>
<th>(2,718)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,664</td>
</tr>
<tr>
<td>39,424</td>
</tr>
<tr>
<td>45,211</td>
</tr>
<tr>
<td>14,011</td>
</tr>
</tbody>
</table>
## NOTE 24 DUE TO BANKS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funds of banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand deposits</td>
<td>16,902</td>
<td>322,146</td>
<td>16,902</td>
<td>322,146</td>
</tr>
<tr>
<td>Term deposits</td>
<td>556,432</td>
<td>3,182,960</td>
<td>556,432</td>
<td>3,182,960</td>
</tr>
<tr>
<td>Loans</td>
<td>3,932,717</td>
<td>1,822,708</td>
<td>3,932,717</td>
<td>1,822,708</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,506,051</td>
<td>5,327,814</td>
<td>4,506,051</td>
<td>5,327,814</td>
</tr>
</tbody>
</table>

## NOTE 25 DUE TO CUSTOMERS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demand deposits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of public authorities</td>
<td>254,007</td>
<td>271,865</td>
<td>254,007</td>
<td>271,865</td>
</tr>
<tr>
<td>of state and municipal entities</td>
<td>136,480</td>
<td>134,211</td>
<td>136,480</td>
<td>134,211</td>
</tr>
<tr>
<td>of financial institutions</td>
<td>47,205</td>
<td>28,170</td>
<td>49,367</td>
<td>29,386</td>
</tr>
<tr>
<td>of private entities</td>
<td>1,423,189</td>
<td>1,127,372</td>
<td>1,423,625</td>
<td>1,127,691</td>
</tr>
<tr>
<td>of individuals</td>
<td>1,197,120</td>
<td>983,958</td>
<td>1,197,120</td>
<td>983,958</td>
</tr>
<tr>
<td><strong>Total demand deposits</strong></td>
<td>3,058,001</td>
<td>2,545,576</td>
<td>3,060,599</td>
<td>2,547,111</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term deposits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of public authorities</td>
<td>3,482</td>
<td>258,051</td>
<td>3,482</td>
<td>258,051</td>
</tr>
<tr>
<td>of state and municipal entities</td>
<td>52,579</td>
<td>39,781</td>
<td>52,579</td>
<td>39,781</td>
</tr>
<tr>
<td>of financial institutions</td>
<td>34,920</td>
<td>34,920</td>
<td>26,451</td>
<td>26,451</td>
</tr>
<tr>
<td>of private entities</td>
<td>489,982</td>
<td>356,094</td>
<td>489,982</td>
<td>356,094</td>
</tr>
<tr>
<td>of individuals</td>
<td>1,477,275</td>
<td>1,060,486</td>
<td>1,477,275</td>
<td>1,060,486</td>
</tr>
<tr>
<td><strong>Total term deposits</strong></td>
<td>2,058,238</td>
<td>1,740,863</td>
<td>2,058,238</td>
<td>1,740,863</td>
</tr>
<tr>
<td><strong>Term loan</strong></td>
<td>30,336</td>
<td>48,274</td>
<td>30,336</td>
<td>48,274</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,146,575</td>
<td>4,334,713</td>
<td>5,149,173</td>
<td>4,336,248</td>
</tr>
</tbody>
</table>

As at 31 December 2011 deposits of LTL 30,362 thousand (2010: LTL 49,634 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees and loans were included in customer accounts.
NOTE 26  DEBT SECURITIES IN ISSUE

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>Interest rate</th>
<th>Maturity</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td><strong>Index linked bonds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTL</td>
<td>-</td>
<td>2012 – 2014</td>
<td>13,411</td>
</tr>
<tr>
<td>EUR</td>
<td>-</td>
<td>2012 – 2014</td>
<td>17,347</td>
</tr>
<tr>
<td>Embedded derivatives</td>
<td></td>
<td></td>
<td>491</td>
</tr>
<tr>
<td>Deferred profit from index linked bonds</td>
<td></td>
<td></td>
<td>519</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>31,768</td>
</tr>
<tr>
<td><strong>Other bonds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTL</td>
<td>0 p.a.</td>
<td>2012</td>
<td>29,811</td>
</tr>
<tr>
<td>LTL</td>
<td>3.50 p.a.</td>
<td>2013</td>
<td>32,877</td>
</tr>
<tr>
<td>LTL</td>
<td>4.10 p.a.</td>
<td>2013</td>
<td>9,786</td>
</tr>
<tr>
<td>LTL</td>
<td>4.18 p.a.</td>
<td>2014</td>
<td>1,038</td>
</tr>
<tr>
<td>LTL</td>
<td>5.00 p.a.</td>
<td>2015</td>
<td>9,674</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>83,186</td>
</tr>
</tbody>
</table>

**Total debt securities in issue**

|              | 114,954 | 151,563 |

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

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 1 January 2011</strong></td>
<td>1,047</td>
<td>1,047</td>
</tr>
<tr>
<td>Additions arising from new transactions</td>
<td>411</td>
<td>411</td>
</tr>
<tr>
<td>Released to profit and loss during the year</td>
<td>(939)</td>
<td>(939)</td>
</tr>
<tr>
<td><strong>As at 31 December 2011</strong></td>
<td>519</td>
<td>519</td>
</tr>
<tr>
<td><strong>As at 1 January 2010</strong></td>
<td>5,609</td>
<td>5,609</td>
</tr>
<tr>
<td>Additions arising from new transactions</td>
<td>567</td>
<td>567</td>
</tr>
<tr>
<td>Released to profit and loss during the year</td>
<td>(5,129)</td>
<td>(5,129)</td>
</tr>
<tr>
<td><strong>As at 31 December 2010</strong></td>
<td>1,047</td>
<td>1,047</td>
</tr>
</tbody>
</table>
NOTE 27  SUBORDINATED LOANS

Loan providers:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Norddeutsche Landesbank Girozentrale</td>
<td>-</td>
<td>-</td>
<td>38,544</td>
<td>38,463</td>
</tr>
<tr>
<td>European Bank for Reconstruction and Development (EBRD)</td>
<td>38,544</td>
<td>38,463</td>
<td>38,544</td>
<td>38,463</td>
</tr>
<tr>
<td>Bank DnB A/S</td>
<td>-</td>
<td>240,236</td>
<td>-</td>
<td>240,236</td>
</tr>
<tr>
<td>DNB Bank ASA</td>
<td>-</td>
<td>124,923</td>
<td>-</td>
<td>124,923</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>38,544</td>
<td>403,622</td>
<td>38,544</td>
<td>403,622</td>
</tr>
</tbody>
</table>

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 (2010: nil). The lenders’ claims arising out of all the subordinated loan agreements shall be satisfied only after the satisfaction of all claims of non-subordinated creditors. The claims of the subordinated creditors shall rank pari passu with the claims of other subordinated creditors.

Subordinated loans received in the years 2003-2008:

- In the years 2011, 2010 and 2009 the Bank did not receive new subordinated loans.
- In the year 2008, the Bank received two subordinated loans from Bank DnB NORD A/S: in May 2008, the Bank received EUR 15,000 thousand (LTL 51,792 thousand) subordinated loan and in August 2008, the Bank got EUR 26,000 thousand (LTL 89,773 thousand) subordinated loan. Both loans shall be repaid in full in 2015. The interest rate applicable to these loans is equal to 6-month EURIBOR + 2.40% p.a. On 12 October 2011, with the permission of the Bank of Lithuania, the Bank prepaid both subordinated loans and accrued interest to Bank DnB NORD A/S.
- In December 2007, the Bank received EUR 18,500 thousand (LTL 63,877 thousand) subordinated loan from Norddeutsche Landesbank Girozentrale. This loan is repayable in full in 2017. The interest rate on the loan is equal to 6-month EURIBOR + 0.90% p.a. On 23 December 2010, in accordance to the Certificate – Transfer of Subordinated Funding Agreements, Norddeutsche Landesbank Girozentrale transferred its rights under this subordinated loan agreement to DnB NOR Bank ASA. On 12 October 2011, with the permission of the Bank of Lithuania, the Bank prepaid the subordinated loan and accrued interest to DnB NOR Bank ASA.
- In 2006 the Bank received two subordinated loans from Bank DnB NORD A/S: in May 2006, the Bank received EUR 16,000 thousand (LTL 55,245 thousand) subordinated loan and in October 2006, the Bank got EUR 12,500 thousand (LTL 43,160 thousand) subordinated loan. Both loans shall be repaid in full in 2016. The interest rate applicable to these loans is 6-month EURIBOR + 0.60% p.a. On 12 October 2011, with the permission of the Bank of Lithuania, the Bank prepaid both subordinated loans and accrued interest to Bank DnB NOR Bank ASA.
- In February 2005, the Bank and the foundation Stiftung der NORD/LB und der Öffentlichen Versicherung fuer Braunschweig (hereinafter – Stiftung), founded by Norddeutsche Landesbank Girozentrale, signed the Subordinated Loan Agreement, whereunder the Bank received EUR 2,500 thousand (LTL 8,632 thousand) subordinated loan. This loan is repayable in full in 2015. The interest rate applicable to this loan is 5.90%. On 20 December 2010, in accordance with the Agreement on Assignment of Rights, Stiftung transferred its rights arising out of the aforementioned subordinated loan agreement to Norddeutsche Landesbank Girozentrale. On 23 December 2010, in accordance to the Certificate – Transfer of Subordinated Funding Agreements, Norddeutsche Landesbank Girozentrale transferred the aforementioned rights to DnB NOR Bank ASA. On 12 October 2011, with the permission of the Bank of Lithuania, the Bank prepaid the subordinated loan and accrued interest to DnB NOR Bank ASA.
- In August 2004, the Bank and the European Bank for Reconstruction and Development signed the Amended and Restated Subordinated Loan Agreement, pursuant thereto the initial amount of the subordinated loan was increased by EUR 3,331 thousand (LTL 11,501 thousand). This subordinated loan (EUR 11,000 thousand/ LTL 37,981 thousand) is repayable in full in 2014. The interest rate applicable to the loan is 6-month EURIBOR + 2.40% p.a.
- In July 2003, the Bank received EUR 15,000 thousand (LTL 51,792 thousand) subordinated loan from Norddeutsche Landesbank Girozentrale. This subordinated loan is repayable in full in 2013. The interest rate on this loan is equal to 6-month EURIBOR + 0.61% p.a. On 23 December 2010, in accordance to the Certificate – Transfer of Subordinated Funding Agreements, Norddeutsche Landesbank Girozentrale transferred its rights under this subordinated loan agreement to DnB NOR Bank ASA. On 12 October 2011, with the permission of the Bank of Lithuania, the Bank prepaid the subordinated loan and accrued interest to DnB NOR Bank ASA.
NOTE 28  PROVISIONS

The movement of provisions was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan commitments and guarantees</td>
<td>Pending legal issues and tax litigation</td>
</tr>
<tr>
<td>As at 1 January 2011</td>
<td>281</td>
<td>392</td>
</tr>
<tr>
<td>Increase in provisions</td>
<td>905</td>
<td>51</td>
</tr>
<tr>
<td>Utilised</td>
<td>(138)</td>
<td>(3)</td>
</tr>
<tr>
<td>Unused amounts reversed</td>
<td>(241)</td>
<td>(68)</td>
</tr>
<tr>
<td>Changes due to exchange rates</td>
<td>(11)</td>
<td>-</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>796</td>
<td>372</td>
</tr>
<tr>
<td>Current (less than one year)</td>
<td>751</td>
<td>372</td>
</tr>
<tr>
<td>Non-current (more than one year)</td>
<td>45</td>
<td>-</td>
</tr>
<tr>
<td>As at 31 December 2011</td>
<td>796</td>
<td>372</td>
</tr>
<tr>
<td>As at 1 January 2010</td>
<td>315</td>
<td>494</td>
</tr>
<tr>
<td>Increase in provisions</td>
<td>785</td>
<td>32</td>
</tr>
<tr>
<td>Utilised</td>
<td>-</td>
<td>(48)</td>
</tr>
<tr>
<td>Unused amounts reversed</td>
<td>(813)</td>
<td>(86)</td>
</tr>
<tr>
<td>Changes due to exchange rates</td>
<td>(6)</td>
<td>-</td>
</tr>
<tr>
<td>As at 31 December 2010</td>
<td>281</td>
<td>392</td>
</tr>
<tr>
<td>Current (less than one year)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-current (more than one year)</td>
<td>281</td>
<td>392</td>
</tr>
<tr>
<td>As at 31 December 2010</td>
<td>281</td>
<td>392</td>
</tr>
</tbody>
</table>

Legal claims. As at 31 December 2011, contingent liabilities that may arise as a result of pending court proceedings in which the Bank would appear as a respondent amounted to LTL 91,915 thousand (2010: LTL 54,766 thousand). The Bank established a provision of LTL 234 thousand (2010: LTL 254 thousand) against potential losses in relation to the outcome of legal claims.

NOTE 29  OTHER LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>17,935</td>
<td>16,085</td>
</tr>
<tr>
<td>Deferred income</td>
<td>1,214</td>
<td>1,115</td>
</tr>
<tr>
<td>Transit accounts</td>
<td>5,844</td>
<td>9,662</td>
</tr>
<tr>
<td>Liabilities for transactions with payment cards</td>
<td>779</td>
<td>498</td>
</tr>
<tr>
<td>Liabilities to suppliers</td>
<td>5,618</td>
<td>120</td>
</tr>
<tr>
<td>Prepayment for finance lease</td>
<td>1,522</td>
<td>1,461</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>10,169</td>
<td>4,991</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>43,081</td>
<td>33,932</td>
</tr>
</tbody>
</table>
NOTE 30 SHARE CAPITAL

On 30 June 2011 DNB Bank ASA registered in Norway has acquired 100 percent of shares of the Bank from Bank DNB A/S, controlled by DNB Bank ASA and registered in Denmark, thus becoming direct shareholder of the Bank owning 100 percent of its shares and voting rights.

Share premium amounted to LTL 282,929 thousand as at 31 December 2011 (as at 31 December 2010 – LTL 282,929 thousand).

Information about shareholder of the Bank is listed in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Nominal value, LTL thousand</td>
</tr>
<tr>
<td>Bank DNB A/S (Denmark)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>DNB Bank ASA</td>
<td>5,710,134</td>
<td>656,665</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,710,134</td>
<td>656,665</td>
</tr>
</tbody>
</table>

NOTE 31 RESERVES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory reserve</td>
<td>200</td>
<td>200</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other reserves</td>
<td>832</td>
<td>834</td>
<td>832</td>
<td>834</td>
</tr>
<tr>
<td>Financial assets revaluation reserve</td>
<td>(115)</td>
<td>(2,769)</td>
<td>-</td>
<td>(2,819)</td>
</tr>
<tr>
<td>Reserve capital</td>
<td>364,270</td>
<td>172,640</td>
<td>364,270</td>
<td>172,640</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>365,187</td>
<td>170,905</td>
<td>365,102</td>
<td>170,655</td>
</tr>
</tbody>
</table>

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

Other reserves contain fixed assets revaluation reserve which relates to the revaluation of tangible fixed assets.

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

In October 2011 AB DNB Bankas reserve capital was raised by EUR 105 million (LTL 364 million) by monetary contribution of the Bank’s sole shareholder DNB Bank ASA. The funds were aimed at further consistent strengthening of the Bank’s capital base.

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

<table>
<thead>
<tr>
<th></th>
<th>Group 2011</th>
<th>Bank 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 1 January 2011</strong></td>
<td>(2,769)</td>
<td>(2,819)</td>
</tr>
<tr>
<td>Net gain/loss from changes in fair value</td>
<td>3,128</td>
<td>3,315</td>
</tr>
<tr>
<td>Net gain/loss transferred to net profit on disposal (Note 3)</td>
<td>(90)</td>
<td>(112)</td>
</tr>
<tr>
<td>Changes of deferred income taxes (Note 9)</td>
<td>(384)</td>
<td>(384)</td>
</tr>
<tr>
<td><strong>As at 31 December 2011</strong></td>
<td>(115)</td>
<td>-</td>
</tr>
<tr>
<td><strong>As at 1 January 2010</strong></td>
<td>(2,793)</td>
<td>(2,734)</td>
</tr>
<tr>
<td>Net gain/loss from changes in fair value</td>
<td>158</td>
<td>90</td>
</tr>
<tr>
<td>Net gain/loss transferred to net profit on disposal (Note 3)</td>
<td>124</td>
<td>83</td>
</tr>
<tr>
<td>Changes of deferred income taxes (Note 9)</td>
<td>(258)</td>
<td>(258)</td>
</tr>
<tr>
<td><strong>As at 31 December 2010</strong></td>
<td>(2,769)</td>
<td>(2,819)</td>
</tr>
</tbody>
</table>
NOTE 32 ASSETS / FUNDS UNDER MANAGEMENT

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

Assets under management totalling to LTL 34,744 thousand as at 31 December 2011 (2010: LTL 39,458 thousand) consist of loans granted to legal entities and individuals, including farmers and house building associations and other companies. These loans were granted from the Lithuanian Agricultural Support Fund, the Farmers’ Support Fund, the Agricultural Support Fund (proceeds from sale of grain received from the USA) and the Common Mortgage Support Fund.

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

Subsidiary DNB Investicijų Valdymas UAB manages the following funds:

<table>
<thead>
<tr>
<th>Fund</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>DnB NORD Money Market Fund</td>
<td>50,476</td>
<td>78,394</td>
</tr>
<tr>
<td>DnB NORD Equity Fund of funds</td>
<td>9,898</td>
<td>11,745</td>
</tr>
<tr>
<td>2nd pillar pension funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DnB NORD pensija 1</td>
<td>31,610</td>
<td>27,140</td>
</tr>
<tr>
<td>DnB NORD pensija 2</td>
<td>150,641</td>
<td>128,392</td>
</tr>
<tr>
<td>DnB NORD pensija 3</td>
<td>140,953</td>
<td>130,867</td>
</tr>
<tr>
<td>3rd pillar pension fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DnB NORD papildoma pensija</td>
<td>20,930</td>
<td>19,464</td>
</tr>
<tr>
<td>DnB NORD papildoma pensija 100</td>
<td>1,738</td>
<td>1,587</td>
</tr>
<tr>
<td>Value of individually managed investment portfolios</td>
<td>147,578</td>
<td>97,298</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>553,824</td>
<td>494,887</td>
</tr>
</tbody>
</table>

NOTE 33 CONTINGENT LIABILITIES AND COMMITMENTS

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

<table>
<thead>
<tr>
<th>Type of Commitment</th>
<th>Group 2011</th>
<th>Group 2010</th>
<th>Bank 2011</th>
<th>Bank 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees</td>
<td>260,046</td>
<td>190,299</td>
<td>510,382</td>
<td>521,144</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>3,206</td>
<td>5,793</td>
<td>3,206</td>
<td>5,793</td>
</tr>
<tr>
<td>Commitments to grant loans</td>
<td>802,389</td>
<td>803,109</td>
<td>1,202,190</td>
<td>944,461</td>
</tr>
<tr>
<td>Commitments to grant finance leases</td>
<td>2,292</td>
<td>2,683</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital commitments and other commitments to acquire assets</td>
<td>4,319</td>
<td>2,244</td>
<td>3,757</td>
<td>836</td>
</tr>
<tr>
<td>Other commitments</td>
<td>11,792</td>
<td>12,019</td>
<td>11,846</td>
<td>12,298</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,084,044</strong></td>
<td><strong>1,016,147</strong></td>
<td><strong>1,731,381</strong></td>
<td><strong>1,484,532</strong></td>
</tr>
</tbody>
</table>

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

Operating lease commitments – where the Bank is the lessee

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

<table>
<thead>
<tr>
<th>Type of Lease Agreement</th>
<th>Group 2011</th>
<th>Group 2010</th>
<th>Bank 2011</th>
<th>Bank 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>1,162</td>
<td>1,051</td>
<td>1,216</td>
<td>1,273</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>871</td>
<td>2,103</td>
<td>871</td>
<td>2,161</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,033</strong></td>
<td><strong>3,154</strong></td>
<td><strong>2,087</strong></td>
<td><strong>3,434</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2011 total operating lease expenses of the Bank and of the Group incurred to LTL 1,465 thousand and LTL 1,425 thousand, correspondingly (as at 31 December 2010 – LTL 1,440 thousand and LTL 1,330 thousand, correspondingly).
NOTE 33 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>35</td>
<td>348</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>4</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>352</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

NOTE 34 CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (Note 11)</td>
<td>322,421</td>
<td>225,250</td>
<td>322,421</td>
<td>225,250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correspondent accounts with other banks</td>
<td>45,991</td>
<td>61,652</td>
<td>45,991</td>
<td>61,652</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overnight deposits</td>
<td>10,000</td>
<td>105,817</td>
<td>10,000</td>
<td>105,817</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required reserves in national currency in Central Bank (Note 11)</td>
<td>310,842</td>
<td>242,779</td>
<td>310,842</td>
<td>242,779</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correspondent account with central bank (Note 11)</td>
<td>130,130</td>
<td>57,786</td>
<td>130,130</td>
<td>57,786</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>819,384</strong></td>
<td><strong>693,284</strong></td>
<td><strong>819,384</strong></td>
<td><strong>693,284</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE 35 LIQUIDITY RISK

According to the regulations approved by the Bank of Lithuania, the liquidity ratio should not be less than 30%. In 2011 and 2010 the Bank and Group complied with the liquidity ratio set by the Bank of Lithuania.

The structure of the Group’s assets and liabilities by the contractual remaining maturity as at 31 December 2011 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>On demand</th>
<th>Less than 1 month</th>
<th>1 to 3 months</th>
<th>3 to 6 months</th>
<th>6 to 12 months</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
<th>Maturity undefined</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>763,428</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>763,428</td>
</tr>
<tr>
<td>Due from banks</td>
<td>58,988</td>
<td>766,542</td>
<td>1,128</td>
<td>134</td>
<td>2,782</td>
<td>6,641</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>836,215</td>
</tr>
<tr>
<td>Trading securities</td>
<td>-</td>
<td>69</td>
<td>35</td>
<td>3,364</td>
<td>12,330</td>
<td>14,177</td>
<td>2,214</td>
<td>-</td>
<td>-</td>
<td>32,189</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>16,022</td>
<td>149,521</td>
<td>164,021</td>
<td>28,942</td>
<td>29,781</td>
<td>-</td>
<td>-</td>
<td>388,287</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>2,261</td>
<td>2,245</td>
<td>1,088</td>
<td>1,726</td>
<td>3,484</td>
<td>729</td>
<td>-</td>
<td>-</td>
<td>11,533</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>-</td>
<td>8</td>
<td>19</td>
<td>185</td>
<td>772</td>
<td>952</td>
<td>2,607</td>
<td>1,506</td>
<td>-</td>
<td>6,049</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>-</td>
<td>249,330</td>
<td>287,311</td>
<td>459,939</td>
<td>1,209,618</td>
<td>1,485,669</td>
<td>4,152,777</td>
<td>679,541</td>
<td>-</td>
<td>8,524,185</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>-</td>
<td>53,369</td>
<td>21,494</td>
<td>31,064</td>
<td>52,692</td>
<td>87,005</td>
<td>49,783</td>
<td>416</td>
<td>-</td>
<td>295,823</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>91,018</td>
<td>-</td>
<td>91,018</td>
</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>138,899</td>
<td>138,899</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,265</td>
<td>6,265</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,839</td>
<td>29,839</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,617</td>
<td>564</td>
<td>4,666</td>
<td>1,566</td>
<td>6,712</td>
<td>435</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>64,664</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>825,033</strong></td>
<td><strong>1,072,143</strong></td>
<td><strong>334,320</strong></td>
<td><strong>646,861</strong></td>
<td><strong>1,450,653</strong></td>
<td><strong>1,627,305</strong></td>
<td><strong>4,237,896</strong></td>
<td><strong>994,183</strong></td>
<td><strong>11,188,394</strong></td>
<td></td>
</tr>
</tbody>
</table>
NOTE 35  LIQUIDITY RISK (continued)

Liabilities and shareholders' equity

<table>
<thead>
<tr>
<th>Due to banks</th>
<th>Derivative financial instruments</th>
<th>Due to customers</th>
<th>Debt securities in issue</th>
<th>Subordinated loans</th>
<th>Provisions</th>
<th>Other liabilities</th>
<th>Shareholders' equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,158</td>
<td>-</td>
<td>3,063,479</td>
<td>3,147</td>
<td>307</td>
<td>-</td>
<td>4,046</td>
<td>-</td>
</tr>
<tr>
<td>145,470</td>
<td>307</td>
<td>477,048</td>
<td>145,625</td>
<td>3,073</td>
<td>9</td>
<td>25,820</td>
<td>-</td>
</tr>
<tr>
<td>3,147</td>
<td></td>
<td>655,712</td>
<td>145,625</td>
<td>5,907</td>
<td>11</td>
<td>7,779</td>
<td>-</td>
</tr>
<tr>
<td>145,625</td>
<td></td>
<td>490,395</td>
<td>168,507</td>
<td>4,142</td>
<td>28</td>
<td>1,440</td>
<td>-</td>
</tr>
<tr>
<td>3,901,664</td>
<td></td>
<td>362,564</td>
<td>63,100</td>
<td>14,798</td>
<td>703</td>
<td>2,848</td>
<td>-</td>
</tr>
<tr>
<td>129,480</td>
<td></td>
<td>61,171</td>
<td>34,277</td>
<td>3,236</td>
<td>45</td>
<td>343</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>9,370</td>
<td>149</td>
<td>-</td>
<td>563</td>
<td>149</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>-</td>
<td>656</td>
<td>-</td>
<td>-</td>
<td>656</td>
<td>-</td>
</tr>
<tr>
<td>4,506,051</td>
<td></td>
<td>3,901,664</td>
<td>1,306,558</td>
<td>3,236</td>
<td>312</td>
<td>1,306,558</td>
<td>-</td>
</tr>
</tbody>
</table>

Total liabilities and shareholders' equity

<table>
<thead>
<tr>
<th>Due to banks</th>
<th>Derivative financial instruments</th>
<th>Due to customers</th>
<th>Debt securities in issue</th>
<th>Subordinated loans</th>
<th>Provisions</th>
<th>Other liabilities</th>
<th>Shareholders' equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,158</td>
<td>-</td>
<td>3,063,479</td>
<td>3,147</td>
<td>307</td>
<td>-</td>
<td>4,046</td>
<td>-</td>
</tr>
<tr>
<td>145,470</td>
<td>307</td>
<td>477,048</td>
<td>145,625</td>
<td>3,073</td>
<td>9</td>
<td>25,820</td>
<td>-</td>
</tr>
<tr>
<td>3,147</td>
<td></td>
<td>655,712</td>
<td>145,625</td>
<td>5,907</td>
<td>11</td>
<td>7,779</td>
<td>-</td>
</tr>
<tr>
<td>145,625</td>
<td></td>
<td>490,395</td>
<td>168,507</td>
<td>4,142</td>
<td>28</td>
<td>1,440</td>
<td>-</td>
</tr>
<tr>
<td>3,901,664</td>
<td></td>
<td>362,564</td>
<td>63,100</td>
<td>14,798</td>
<td>703</td>
<td>2,848</td>
<td>-</td>
</tr>
<tr>
<td>129,480</td>
<td></td>
<td>61,171</td>
<td>34,277</td>
<td>3,236</td>
<td>45</td>
<td>343</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>9,370</td>
<td>149</td>
<td>-</td>
<td>563</td>
<td>149</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>-</td>
<td>656</td>
<td>-</td>
<td>-</td>
<td>656</td>
<td>-</td>
</tr>
<tr>
<td>4,506,051</td>
<td></td>
<td>3,901,664</td>
<td>1,306,558</td>
<td>3,236</td>
<td>312</td>
<td>1,306,558</td>
<td>-</td>
</tr>
</tbody>
</table>

Net liquidity gap

<table>
<thead>
<tr>
<th>Due to banks</th>
<th>Derivative financial instruments</th>
<th>Due to customers</th>
<th>Debt securities in issue</th>
<th>Subordinated loans</th>
<th>Provisions</th>
<th>Other liabilities</th>
<th>Shareholders' equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,158</td>
<td>-</td>
<td>3,063,479</td>
<td>3,147</td>
<td>307</td>
<td>-</td>
<td>4,046</td>
<td>-</td>
</tr>
<tr>
<td>145,470</td>
<td>307</td>
<td>477,048</td>
<td>145,625</td>
<td>3,073</td>
<td>9</td>
<td>25,820</td>
<td>-</td>
</tr>
<tr>
<td>3,147</td>
<td></td>
<td>655,712</td>
<td>145,625</td>
<td>5,907</td>
<td>11</td>
<td>7,779</td>
<td>-</td>
</tr>
<tr>
<td>145,625</td>
<td></td>
<td>490,395</td>
<td>168,507</td>
<td>4,142</td>
<td>28</td>
<td>1,440</td>
<td>-</td>
</tr>
<tr>
<td>3,901,664</td>
<td></td>
<td>362,564</td>
<td>63,100</td>
<td>14,798</td>
<td>703</td>
<td>2,848</td>
<td>-</td>
</tr>
<tr>
<td>129,480</td>
<td></td>
<td>61,171</td>
<td>34,277</td>
<td>3,236</td>
<td>45</td>
<td>343</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>9,370</td>
<td>149</td>
<td>-</td>
<td>563</td>
<td>149</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>-</td>
<td>656</td>
<td>-</td>
<td>-</td>
<td>656</td>
<td>-</td>
</tr>
<tr>
<td>4,506,051</td>
<td></td>
<td>3,901,664</td>
<td>1,306,558</td>
<td>3,236</td>
<td>312</td>
<td>1,306,558</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Total assets</th>
<th>Total liabilities and shareholders' equity</th>
<th>Net liquidity gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>On demand</td>
<td>610,936</td>
<td>2,582,110</td>
<td>(1,971,174)</td>
</tr>
<tr>
<td>Less than 1 month</td>
<td>747,794</td>
<td>1,966,062</td>
<td>(1,216,268)</td>
</tr>
<tr>
<td>1 to 3 months</td>
<td>523,296</td>
<td>1,367,902</td>
<td>(844,606)</td>
</tr>
<tr>
<td>3 to 6 months</td>
<td>666,648</td>
<td>514,441</td>
<td>154,207</td>
</tr>
<tr>
<td>6 to 12 months</td>
<td>1,038,655</td>
<td>998,175</td>
<td>40,480</td>
</tr>
<tr>
<td>1 to 3 years</td>
<td>2,068,866</td>
<td>2,337,302</td>
<td>(268,436)</td>
</tr>
<tr>
<td>More than 3 years</td>
<td>4,244,689</td>
<td>545,999</td>
<td>3,696,690</td>
</tr>
<tr>
<td>Maturity undefined</td>
<td>1,276,667</td>
<td>867,560</td>
<td>409,107</td>
</tr>
<tr>
<td>Total</td>
<td>4,244,689</td>
<td>545,999</td>
<td>3,696,690</td>
</tr>
<tr>
<td>Net liquidity gap</td>
<td>(1,971,174)</td>
<td>(1,216,268)</td>
<td>(844,606)</td>
</tr>
</tbody>
</table>

The Group’s liquidity ratio is the ratio of liquid assets to its current liabilities. Group’s liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

The Group’s liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of the year:

<table>
<thead>
<tr>
<th></th>
<th>Liquid assets</th>
<th>Current liabilities</th>
<th>Liquidity ratio (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2010</td>
<td>1,909,202</td>
<td>5,215,988</td>
<td>36.60</td>
</tr>
<tr>
<td>31 December 2011</td>
<td>2,147,766</td>
<td>4,669,005</td>
<td>46.00</td>
</tr>
</tbody>
</table>
NOTE 35  LIQUIDITY RISK (continued)

The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2011 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>On demand</th>
<th>Less than 1 month</th>
<th>1 to 3 months</th>
<th>3 to 6 months</th>
<th>6 to 12 months</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
<th>Maturity undefined</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances</td>
<td>763,428</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>763,428</td>
</tr>
<tr>
<td>with central banks</td>
<td></td>
<td>766,542</td>
<td>1,128</td>
<td>134</td>
<td>2,782</td>
<td>6,641</td>
<td>-</td>
<td>-</td>
<td>836,215</td>
</tr>
<tr>
<td>Due from banks</td>
<td>58,988</td>
<td>69</td>
<td>35</td>
<td>3,364</td>
<td>12,330</td>
<td>14,177</td>
<td>2,214</td>
<td>-</td>
<td>83,189</td>
</tr>
<tr>
<td>Trading securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>16,022</td>
<td>149,521</td>
<td>164,021</td>
<td>28,942</td>
<td>29,781</td>
<td>-</td>
<td>388,287</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>-</td>
<td>2,261</td>
<td>2,245</td>
<td>1,088</td>
<td>1,726</td>
<td>3,484</td>
<td>729</td>
<td>11,533</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>915</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>-</td>
<td>250,251</td>
<td>287,311</td>
<td>459,939</td>
<td>1,284,149</td>
<td>1,768,738</td>
<td>4,152,777</td>
<td>679,541</td>
<td>8,882,706</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>155,671</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>90,616</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,231</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,804</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,617</td>
<td>2,776</td>
<td>1</td>
<td>6,666</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>33,145</td>
<td>45,211</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>825,033</td>
<td>1,021,899</td>
<td>306,742</td>
<td>1,465,009</td>
<td>1,821,986</td>
<td>4,185,502</td>
<td>995,923</td>
<td>11,242,806</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and shareholders' equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>12,158</td>
<td>145,470</td>
<td>3,147</td>
<td>145,625</td>
<td>168,507</td>
<td>3,901,664</td>
<td>129,480</td>
<td>-</td>
<td>4,506,051</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>307</td>
<td>3,073</td>
<td>5,907</td>
<td>4,142</td>
<td>14,798</td>
<td>3,236</td>
<td>-</td>
<td>31,463</td>
</tr>
<tr>
<td>Due to customers</td>
<td>3,066,077</td>
<td>477,048</td>
<td>655,712</td>
<td>490,395</td>
<td>362,564</td>
<td>63,100</td>
<td>34,277</td>
<td>-</td>
<td>5,149,173</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>-</td>
<td>34</td>
<td>30,805</td>
<td>7,586</td>
<td>5,988</td>
<td>61,171</td>
<td>9,370</td>
<td>-</td>
<td>114,954</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>-</td>
<td>-</td>
<td>563</td>
<td>-</td>
<td>-</td>
<td>37,981</td>
<td>-</td>
<td>-</td>
<td>38,544</td>
</tr>
<tr>
<td>Provisions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,938</td>
<td>1</td>
<td>26</td>
<td>1,050</td>
<td>27,475</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,905</td>
<td>20,262</td>
<td>7,552</td>
<td>1,344</td>
<td>2,661</td>
<td>1</td>
<td>607</td>
<td>-</td>
<td>36,333</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,308,552</td>
<td>1,308,552</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders' equity</strong></td>
<td>3,082,140</td>
<td>672,059</td>
<td>700,863</td>
<td>650,885</td>
<td>544,912</td>
<td>4,106,191</td>
<td>176,363</td>
<td>1,309,393</td>
<td>11,242,806</td>
</tr>
<tr>
<td><strong>Net liquidity gap</strong></td>
<td>(2,257,107)</td>
<td>349,840</td>
<td>(394,121)</td>
<td>(30,173)</td>
<td>920,097</td>
<td>(2,284,205)</td>
<td>4,009,139</td>
<td>(313,470)</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 35  LIQUIDITY RISK (continued)

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

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Total assets</th>
<th>Total liabilities and shareholders’ equity</th>
<th>Net liquidity gap</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On demand</td>
<td>Less than 1 month</td>
<td>1 to 3 months</td>
</tr>
<tr>
<td></td>
<td>610,768</td>
<td>676,922</td>
<td>496,800</td>
</tr>
<tr>
<td></td>
<td>2,583,548</td>
<td>1,992,329</td>
<td>1,367,711</td>
</tr>
</tbody>
</table>

The Bank’s liquidity ratio is the ratio of liquid assets to its current liabilities. Bank’s liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

The Bank’s liquidity ratios calculated using the rules approved by the Bank of Lithuania were as follows at the end of each year:

<table>
<thead>
<tr>
<th></th>
<th>Liquid assets</th>
<th>Current liabilities</th>
<th>Liquidity ratio (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2010</td>
<td>1,871,739</td>
<td>5,221,173</td>
<td>35.85</td>
</tr>
<tr>
<td>31 December 2011</td>
<td>2,117,000</td>
<td>4,727,680</td>
<td>44.78</td>
</tr>
</tbody>
</table>
NOTE 36 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS

The Group’s open positions of prevailing currencies as at 31 December 2011 were as follows:

<table>
<thead>
<tr>
<th>USD</th>
<th>EUR</th>
<th>GBP</th>
<th>NOK</th>
<th>Other currencies</th>
<th>Total currencies</th>
<th>LTL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>17,848</td>
<td>74,080</td>
<td>15,581</td>
<td>22,660</td>
<td>24,338</td>
<td>154,507</td>
<td>608,921</td>
</tr>
<tr>
<td>Due from banks</td>
<td>16,637</td>
<td>795,449</td>
<td>930</td>
<td>6,296</td>
<td>6,903</td>
<td>826,215</td>
<td>10,000</td>
</tr>
<tr>
<td>Trading securities</td>
<td>68</td>
<td>24,611</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,679</td>
<td>7,510</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>388,287</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>1</td>
<td>6,703</td>
<td>-</td>
<td>-</td>
<td>23</td>
<td>6,727</td>
<td>4,806</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>866</td>
<td>1,021</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,087</td>
<td>4,162</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>170,229</td>
<td>6,250,615</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,420,844</td>
<td>2,103,341</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>1,840</td>
<td>302,555</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>304,396</td>
<td>(8,573)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,265</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,839</td>
</tr>
<tr>
<td>Other assets</td>
<td>243</td>
<td>26,530</td>
<td>14</td>
<td>1</td>
<td>6</td>
<td>2,794</td>
<td>37,870</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>207,732</td>
<td>7,481,564</td>
<td>16,525</td>
<td>28,957</td>
<td>31,271</td>
<td>7,766,049</td>
<td>3,422,345</td>
</tr>
</tbody>
</table>

| **Liabilities and shareholders’ equity** | | | | | | | |
| Due to banks | 2,120 | 4,356,298 | 1 | 25 | 1,181 | 4,359,625 | 146,426 | 4,506,051 |
| Derivative financial instruments | 1 | 30,916 | - | - | 24 | 30,941 | 91,018 | 91,018 |
| Due to customers | 183,264 | 302,555 | - | - | 1 | 304,396 | 96,172 | 114,547 |
| Debt securities in issue | - | - | - | - | - | - | 138,899 | 138,899 |
| Current income tax liabilities | - | - | - | - | - | - | 6,265 | 6,265 |
| Subordinated loans | - | 38,544 | - | - | - | 38,544 | 1,094 | 1,168 |
| Provisions | 74 | - | - | - | - | - | 74 | 1,168 |
| Other liabilities | 1,114 | 26,300 | 73 | 152 | 606 | 28,245 | 14,836 | 43,081 |
| Shareholders’ equity | - | - | - | - | - | - | 1,306,558 | 1,306,558 |
| **Total liabilities and shareholders’ equity** | 186,573 | 5,505,675 | 7,957 | 72,505 | 27,984 | 5,800,694 | 3,124,345 | 11,188,394 |

| **Net balance sheet position** | 21,159 | 1,975,889 | 8,568 | 43,548 | 3,287 | 1,965,355 | (1,965,355) | 11,188,394 |
| **Off-balance sheet position** | (20,598) | (1,898,843) | (8,427) | 43,813 | (1,149) | (1,885,204) | 1,832,802 | (52,402) |
| **Net open position** | 561 | 77,046 | 141 | 265 | 2,138 | 80,151 | (132,553) | (52,402) |

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

<table>
<thead>
<tr>
<th>USD</th>
<th>EUR</th>
<th>GBP</th>
<th>NOK</th>
<th>Other currencies</th>
<th>Total currencies</th>
<th>LTL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>191,537</td>
<td>7,796,589</td>
<td>6,569</td>
<td>11,903</td>
<td>48,146</td>
<td>8,054,744</td>
<td>3,124,807</td>
</tr>
<tr>
<td>Due from banks</td>
<td>121,345</td>
<td>6,992,598</td>
<td>7,186</td>
<td>10,507</td>
<td>21,820</td>
<td>7,153,456</td>
<td>4,026,095</td>
</tr>
<tr>
<td>Trading securities</td>
<td>70,192</td>
<td>803,991</td>
<td>(617)</td>
<td>1,396</td>
<td>26,326</td>
<td>901,288</td>
<td>(901,288)</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>(20,034)</td>
<td>(790,420)</td>
<td>526</td>
<td>(1,326)</td>
<td>(20,679)</td>
<td>(881,933)</td>
<td>877,270</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>158</td>
<td>13,571</td>
<td>(91)</td>
<td>70</td>
<td>5,647</td>
<td>19,355</td>
<td>(24,018)</td>
</tr>
</tbody>
</table>

(The amounts are in LTL thousand, if not otherwise stated)
NOTE 36  FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

The Bank’s open positions of prevailing currencies as at 31 December 2011 were as follows:

<table>
<thead>
<tr>
<th>USD</th>
<th>EUR</th>
<th>GBP</th>
<th>NOK</th>
<th>Other currencies</th>
<th>Total currencies</th>
<th>LTL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>17,848</td>
<td>74,080</td>
<td>15,581</td>
<td>22,660</td>
<td>24,338</td>
<td>154,507</td>
<td>608,921</td>
<td>763,428</td>
</tr>
<tr>
<td>16,637</td>
<td>795,449</td>
<td>930</td>
<td>6,296</td>
<td>6,903</td>
<td>826,215</td>
<td>10,000</td>
<td>836,215</td>
</tr>
<tr>
<td>68</td>
<td>24,611</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,679</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>388,287</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1</td>
<td>6,703</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,727</td>
<td>4,806</td>
<td>11,533</td>
</tr>
<tr>
<td>866</td>
<td>49</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>915</td>
<td>-</td>
<td>915</td>
</tr>
<tr>
<td>172,260</td>
<td>6,541,566</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,713,826</td>
<td>2,168,880</td>
<td>8,882,706</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>155,671</td>
<td>155,671</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,804</td>
<td>38,804</td>
</tr>
<tr>
<td>52</td>
<td>2,696</td>
<td>14</td>
<td>1</td>
<td>6</td>
<td>2,769</td>
<td>42,442</td>
<td>45,211</td>
</tr>
</tbody>
</table>

Total assets 207,732 7,445,154 16,525 28,957 31,270 7,729,638 3,513,168 11,242,806

Liabilities and shareholders’ equity

<table>
<thead>
<tr>
<th>Due to banks</th>
<th>Derivative financial instruments</th>
<th>Due to customers</th>
<th>Debt securities in issue</th>
<th>Subordinated loans</th>
<th>Provisions</th>
<th>Other liabilities</th>
<th>Shareholders’ equity</th>
<th>Total liabilities and shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,120</td>
<td>30,916</td>
<td>18,782</td>
<td>-</td>
<td>-</td>
<td>38,544</td>
<td>24,142</td>
<td>-</td>
<td>186,573</td>
</tr>
<tr>
<td>1</td>
<td>7,883</td>
<td>26,173</td>
<td>24</td>
<td>2405</td>
<td>-</td>
<td>24,005</td>
<td>-</td>
<td>121,345</td>
</tr>
<tr>
<td></td>
<td></td>
<td>72,328</td>
<td>-</td>
<td>33,311</td>
<td>-</td>
<td>-</td>
<td>1,308,552</td>
<td>307,918</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,278</td>
<td>24</td>
<td>114,954</td>
<td>-</td>
<td>96,172</td>
<td>31,463</td>
<td>3,223,855</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,883</td>
<td>-</td>
<td>57,736</td>
<td>-</td>
<td>6,231</td>
<td>-</td>
<td>11,299,584</td>
</tr>
<tr>
<td></td>
<td></td>
<td>26,173</td>
<td>-</td>
<td>38,544</td>
<td>-</td>
<td>1,308,552</td>
<td>-</td>
<td>11,299,584</td>
</tr>
<tr>
<td></td>
<td></td>
<td>72,328</td>
<td>-</td>
<td>57,736</td>
<td>-</td>
<td>6,231</td>
<td>-</td>
<td>11,299,584</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,278</td>
<td>24</td>
<td>114,954</td>
<td>-</td>
<td>96,172</td>
<td>31,463</td>
<td>3,223,855</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,883</td>
<td>-</td>
<td>57,736</td>
<td>-</td>
<td>6,231</td>
<td>-</td>
<td>11,299,584</td>
</tr>
</tbody>
</table>

Net balance sheet position 21,159 1,939,436 8,568 (43,548) 3,286 1,928,901 (1,928,901) -

Off-balance sheet position (20,598) (1,898,843) (8,427) 43,813 (1,149) (1,885,204) 1,832,802 (52,402)

Net open position 561 40,593 141 265 2,137 43,697 (96,099) (52,402)

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

<table>
<thead>
<tr>
<th>USD</th>
<th>EUR</th>
<th>GBP</th>
<th>NOK</th>
<th>Other currencies</th>
<th>Total currencies</th>
<th>LTL</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>191,538</td>
<td>7,817,575</td>
<td>6,569</td>
<td>11,903</td>
<td>48,144</td>
<td>8,075,729</td>
<td>3,223,855</td>
<td>11,299,584</td>
</tr>
<tr>
<td>121,345</td>
<td>7,021,615</td>
<td>7,186</td>
<td>10,507</td>
<td>21,820</td>
<td>7,182,473</td>
<td>4,117,111</td>
<td>11,299,584</td>
</tr>
<tr>
<td>70,193</td>
<td>795,960</td>
<td>(617)</td>
<td>1,396</td>
<td>26,324</td>
<td>893,256</td>
<td>(893,256)</td>
<td>-</td>
</tr>
<tr>
<td>70,034</td>
<td>(865,868)</td>
<td>526</td>
<td>(1,326)</td>
<td>(20,679)</td>
<td>(957,381)</td>
<td>871,363</td>
<td>(86,018)</td>
</tr>
<tr>
<td>159</td>
<td>(69,908)</td>
<td>(91)</td>
<td>70</td>
<td>5,645</td>
<td>(64,125)</td>
<td>(21,893)</td>
<td>(86,018)</td>
</tr>
</tbody>
</table>

According to the regulations approved by the Bank of Lithuania, the overall open position (except EUR) of the bank’s calculated capital (see part 7 “Capital management” of the Financial risk management) should not exceed 25% and the open position of each individual foreign currency (except EUR) should not exceed 15% of the bank’s calculated capital.
NOTE 37  INTEREST RATE RISK

The table below summarises the Group’s interest rate risks as at 31 December 2011. Assets and liabilities are shown at their carrying amounts categorised by the earlier of contractual repricing or maturity dates.

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 month</th>
<th>1 to 3 months</th>
<th>3 to 6 months</th>
<th>6 to 12 months</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
<th>Non interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>763,428</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>763,428</td>
</tr>
<tr>
<td>Due from banks</td>
<td>825,530</td>
<td>1,128</td>
<td>134</td>
<td>2,782</td>
<td>6,641</td>
<td>-</td>
<td>-</td>
<td>836,215</td>
</tr>
<tr>
<td>Trading securities</td>
<td>69</td>
<td>35</td>
<td>3,364</td>
<td>12,330</td>
<td>14,177</td>
<td>2,214</td>
<td>-</td>
<td>32,189</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>-</td>
<td>16,022</td>
<td>-</td>
<td>149,521</td>
<td>28,942</td>
<td>29,781</td>
<td>-</td>
<td>388,287</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>167</td>
<td>259</td>
<td>422</td>
<td>12,330</td>
<td>2,214</td>
<td>5,520</td>
<td>11,533</td>
<td></td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>8</td>
<td>19</td>
<td>185</td>
<td>92</td>
<td>2,607</td>
<td>64,664</td>
<td>64,664</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,349,402</td>
<td>2,372,221</td>
<td>2,955,611</td>
<td>631,279</td>
<td>729</td>
<td>5,520</td>
<td>11,533</td>
<td></td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>117,357</td>
<td>72,424</td>
<td>301</td>
<td>4,818</td>
<td>7,761</td>
<td>2,166</td>
<td>-</td>
<td>295,823</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>91,018</td>
<td>91,018</td>
</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>138,899</td>
<td>138,899</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,265</td>
<td>6,265</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,839</td>
<td>29,839</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,055,961</td>
<td>2,462,108</td>
<td>3,200,534</td>
<td>817,356</td>
<td>421,110</td>
<td>337,711</td>
<td>11,188,394</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and shareholders’ equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks</td>
<td>1,198,475</td>
<td>847,515</td>
<td>1,937,887</td>
<td>358,166</td>
<td>138,112</td>
<td>25,896</td>
<td>-</td>
<td>4,506,051</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>3</td>
<td>2,881</td>
<td>5,617</td>
<td>3,132</td>
<td>15,306</td>
<td>3,236</td>
<td>1,288</td>
<td>31,463</td>
</tr>
<tr>
<td>Due to customers</td>
<td>3,538,711</td>
<td>659,107</td>
<td>490,008</td>
<td>376,263</td>
<td>63,630</td>
<td>15,576</td>
<td>5,280</td>
<td>5,146,575</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>34</td>
<td>30,805</td>
<td>7,586</td>
<td>5,988</td>
<td>61,171</td>
<td>9,370</td>
<td>-</td>
<td>114,954</td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>-</td>
<td>38,544</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,544</td>
</tr>
<tr>
<td>Provisions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,168</td>
<td>1,168</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43,081</td>
<td>43,081</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>4,735,223</td>
<td>1,578,852</td>
<td>2,441,098</td>
<td>743,549</td>
<td>278,219</td>
<td>54,078</td>
<td>1,357,375</td>
<td>11,188,394</td>
</tr>
<tr>
<td><strong>Interest rate sensitivity gap</strong></td>
<td>(1,679,262)</td>
<td>883,256</td>
<td>759,436</td>
<td>73,807</td>
<td>142,891</td>
<td>839,536</td>
<td>(1,019,664)</td>
<td>-</td>
</tr>
</tbody>
</table>

The Group’s interest rate risk as at 31 December 2010 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 month</th>
<th>1 to 3 months</th>
<th>3 to 6 months</th>
<th>6 to 12 months</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
<th>Non interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>2,499,202</td>
<td>2,416,050</td>
<td>3,375,835</td>
<td>558,749</td>
<td>994,423</td>
<td>1,106,323</td>
<td>228,969</td>
<td>11,179,551</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>4,570,095</td>
<td>3,751,544</td>
<td>811,690</td>
<td>468,697</td>
<td>492,373</td>
<td>172,272</td>
<td>912,880</td>
<td>11,179,551</td>
</tr>
<tr>
<td><strong>Interest rate sensitivity gap</strong></td>
<td>(2,070,893)</td>
<td>(1,335,494)</td>
<td>2,564,145</td>
<td>90,052</td>
<td>502,050</td>
<td>934,051</td>
<td>(683,911)</td>
<td>-</td>
</tr>
</tbody>
</table>
NOTE 37  INTEREST RATE RISK (continued)

The Bank’s interest rate risk as at 31 December 2011 is as follows:

<table>
<thead>
<tr>
<th>Less than 1 month</th>
<th>1 to 3 months</th>
<th>3 to 6 months</th>
<th>6 to 12 months</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
<th>Non interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>763,428</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>763,428</td>
</tr>
<tr>
<td>Due from banks</td>
<td>825,530</td>
<td>1,128</td>
<td>134</td>
<td>2,782</td>
<td>6,641</td>
<td>-</td>
<td>836,215</td>
</tr>
<tr>
<td>Trading securities</td>
<td>69</td>
<td>35</td>
<td>3,364</td>
<td>12,330</td>
<td>14,177</td>
<td>2,214</td>
<td>32,189</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>-</td>
<td>16,022</td>
<td>149,521</td>
<td>39,677</td>
<td>85,611</td>
<td>-</td>
<td>388,287</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>167</td>
<td>259</td>
<td>422</td>
<td>3,082</td>
<td>729</td>
<td>5,520</td>
<td>11,533</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>915</td>
<td>915</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,350,323</td>
<td>2,372,221</td>
<td>3,247,190</td>
<td>697,178</td>
<td>856,117</td>
<td>-</td>
<td>8,882,706</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>155,671</td>
<td>155,671</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>90,616</td>
<td>90,616</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,231</td>
<td>6,231</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,804</td>
<td>29,804</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45,211</td>
<td>45,211</td>
</tr>
<tr>
<td>Total assets</td>
<td>2,939,517</td>
<td>2,389,665</td>
<td>3,400,631</td>
<td>877,665</td>
<td>412,519</td>
<td>333,968</td>
<td>11,242,806</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and shareholders’ equity</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to banks</td>
<td>1,196,475</td>
<td>847,515</td>
<td>1,937,887</td>
<td>358,166</td>
<td>138,112</td>
<td>25,896</td>
<td>4,506,051</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>3</td>
<td>2,881</td>
<td>5,617</td>
<td>3,132</td>
<td>15,306</td>
<td>3,236</td>
<td>1,288</td>
</tr>
<tr>
<td>Due to customers</td>
<td>3,539,309</td>
<td>659,107</td>
<td>1,909,008</td>
<td>376,263</td>
<td>63,806</td>
<td>15,576</td>
<td>5,280</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>34</td>
<td>32,805</td>
<td>7,586</td>
<td>5,988</td>
<td>61,171</td>
<td>9,370</td>
<td>-</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>-</td>
<td>38,544</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57,736</td>
<td>57,736</td>
</tr>
<tr>
<td>Provisions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,333</td>
<td>36,333</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,308,552</td>
<td>1,308,552</td>
</tr>
<tr>
<td>Total liabilities and shareholders’ equity</td>
<td>4,737,821</td>
<td>1,578,852</td>
<td>2,441,098</td>
<td>743,549</td>
<td>278,219</td>
<td>54,078</td>
<td>1,409,189</td>
</tr>
</tbody>
</table>

Interest rate sensitivity gap | (1,798,304) | 810,813 | 959,533 | 134,116 | 134,300 | 834,763 | (1,075,221) | - |

The Bank’s interest rate risk as at 31 December 2010 was as follows:

<table>
<thead>
<tr>
<th>Less than 1 month</th>
<th>1 to 3 months</th>
<th>3 to 6 months</th>
<th>6 to 12 months</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
<th>Non interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>2,433,725</td>
<td>2,389,657</td>
<td>3,861,226</td>
<td>502,124</td>
<td>882,144</td>
<td>1,050,113</td>
<td>180,595</td>
</tr>
<tr>
<td>Total liabilities and shareholders’ equity</td>
<td>4,571,630</td>
<td>3,751,544</td>
<td>811,690</td>
<td>466,697</td>
<td>492,373</td>
<td>172,272</td>
<td>1,031,378</td>
</tr>
</tbody>
</table>

Interest rate sensitivity gap | (2,137,905) | (1,361,887) | 3,049,536 | 33,427 | 389,771 | 877,841 | (850,783) | - |
NOTE 38  RELATED PARTY TRANSACTIONS

The balances of loans granted by the Group to management and close family members, deposits accepted as at the end of the period are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balances of deposits</th>
<th>Principal of loans outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Management of the Group and close family members of management</td>
<td>3,900</td>
<td>2,260</td>
</tr>
</tbody>
</table>

In 2011 the total compensations for the Group management approximated LTL 2,883 thousand (in 2010 – LTL 2,310 thousand).
In 2011 the total compensations for the Bank’s management approximated LTL 1,986 thousand (in 2010 – LTL 1,632 thousand).

The following balances were outstanding with the parent company:

**Assets**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondent bank accounts</td>
<td>17,246</td>
<td>-</td>
</tr>
<tr>
<td>Overnight deposits</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Term deposits</td>
<td>756,452</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>5,676</td>
<td>609</td>
</tr>
</tbody>
</table>

**Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondent bank accounts</td>
<td>2,042</td>
<td>11,981</td>
</tr>
<tr>
<td>Overnight deposits</td>
<td>4,834</td>
<td>-</td>
</tr>
<tr>
<td>Term deposits</td>
<td>416,420</td>
<td>-</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>171</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>8,838</td>
<td>-</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>-</td>
<td>240,236</td>
</tr>
<tr>
<td>Loans</td>
<td>2,108,292</td>
<td>-</td>
</tr>
<tr>
<td>Payable</td>
<td>883</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>126</td>
<td>-</td>
</tr>
</tbody>
</table>

**Income**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>5,627</td>
<td>-</td>
</tr>
<tr>
<td>Fee and commission</td>
<td>442</td>
<td>1,374</td>
</tr>
<tr>
<td>Net gain (loss) from foreign exchange</td>
<td>(222)</td>
<td>6</td>
</tr>
<tr>
<td>Net gain (loss) from operations with financial instruments</td>
<td>1,512</td>
<td>16,887</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>54,280</td>
<td>6,547</td>
</tr>
<tr>
<td>Fee and commission</td>
<td>69</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>(3,892)</td>
<td>2,455</td>
</tr>
</tbody>
</table>
NOTE 38 RELATED PARTY TRANSACTIONS (continued)

The following balances were outstanding with DNB Group companies:

<table>
<thead>
<tr>
<th>Assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondent bank accounts</td>
<td>1,378</td>
<td>4,831</td>
</tr>
<tr>
<td>Overnight deposits</td>
<td>-</td>
<td>105,817</td>
</tr>
<tr>
<td>Term deposits</td>
<td>10,685</td>
<td>292,718</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>3,276</td>
</tr>
<tr>
<td>Receivable</td>
<td>6,659</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondent bank accounts</td>
<td>2,843</td>
<td>6,585</td>
</tr>
<tr>
<td>Overnight deposits</td>
<td>-</td>
<td>241,699</td>
</tr>
<tr>
<td>Term deposits</td>
<td>-</td>
<td>3,182,960</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>-</td>
<td>189</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>3,276</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>44</td>
<td>124,924</td>
</tr>
<tr>
<td>Loans</td>
<td>1,797,862</td>
<td>1,796,234</td>
</tr>
<tr>
<td>Payable</td>
<td>559</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>3,774</td>
<td>2,378</td>
</tr>
<tr>
<td>Fee and commission</td>
<td>152</td>
<td>106</td>
</tr>
<tr>
<td>Net gain (loss) from foreign exchange</td>
<td>125</td>
<td>7</td>
</tr>
<tr>
<td>Net gain (loss) from operations with financial instruments</td>
<td>(5,436)</td>
<td>(27,769)</td>
</tr>
<tr>
<td>Other</td>
<td>6,832</td>
<td>7,554</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>56,565</td>
<td>102,579</td>
</tr>
<tr>
<td>Fee and commission</td>
<td>312</td>
<td>113</td>
</tr>
<tr>
<td>Other</td>
<td>1,486</td>
<td>17,909</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>358,521</td>
<td>558,611</td>
</tr>
<tr>
<td>Equity securities</td>
<td>155,671</td>
<td>20,115</td>
</tr>
<tr>
<td>Other assets</td>
<td>574</td>
<td>291</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposits</td>
<td>2,598</td>
<td>1,535</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-</td>
<td>62,821</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Income</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>13,715</td>
<td>11,643</td>
</tr>
<tr>
<td>Fee and commission</td>
<td>7,952</td>
<td>6,098</td>
</tr>
<tr>
<td>Dividends</td>
<td>1,067</td>
<td>1,648</td>
</tr>
<tr>
<td>Sale of subsidiary</td>
<td>1,069</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>88</td>
<td>53</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Fee and commission</td>
<td>128</td>
<td>90</td>
</tr>
<tr>
<td>Other</td>
<td>173</td>
<td>186</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>81,819</td>
</tr>
</tbody>
</table>

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties are at normal commercial rates.
NOTE 39  CONCENTRATION EXPOSURE

According to the regulations approved by the Bank of Lithuania, maximum exposure per one borrower may not exceed 25 per cent of bank calculated capital. In 2010 and 2011 the Bank complied with maximum exposure to one borrower requirements set by the Bank of Lithuania. As at 31 December 2011, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, is 11.90% of the Bank’s calculated capital (2010: 13.32% respectively).

NOTE 40  COMPLIANCE WITH REGULATORY REQUIREMENTS

According to local legislation Bank is required to prepare financial group consolidated financial information. Financial group includes the Bank and subsidiaries engaged in financial service activities, that is AB DNB Lizingas and UAB DNB Investicijų valdymas. In 2011 Financial group complied with all prudential ratios set by the Bank of Lithuania. Financial group consolidated income statement, statements of comprehensive income, financial position, changes in shareholder’s equity and cash flows are presented in this note below:

FINANCIAL GROUP INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>Financial Group</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Interest income</td>
<td>405,556</td>
<td>445,029</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(172,788)</td>
<td>(203,048)</td>
</tr>
<tr>
<td>Net interest income</td>
<td>232,768</td>
<td>241,981</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>88,425</td>
<td>73,933</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>(19,196)</td>
<td>(16,495)</td>
</tr>
<tr>
<td>Net interest, fee and commission income</td>
<td>301,997</td>
<td>299,419</td>
</tr>
<tr>
<td>Net gain on operations with securities and derivative financial instruments</td>
<td>316</td>
<td>(1,749)</td>
</tr>
<tr>
<td>Net foreign exchange gain</td>
<td>21,904</td>
<td>17,765</td>
</tr>
<tr>
<td>Impairment losses and provisions</td>
<td>(84,325)</td>
<td>(245,094)</td>
</tr>
<tr>
<td>Other income</td>
<td>17,719</td>
<td>22,086</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(92,223)</td>
<td>(84,773)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(13,930)</td>
<td>(16,823)</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>(73,228)</td>
<td>(104,365)</td>
</tr>
<tr>
<td>Profit (loss) before income tax</td>
<td>78,230</td>
<td>(113,534)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(1,028)</td>
<td>(18)</td>
</tr>
<tr>
<td>Net profit (loss) for the year</td>
<td>77,202</td>
<td>(113,552)</td>
</tr>
<tr>
<td>Profit (loss) attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the parent</td>
<td>77,202</td>
<td>(113,552)</td>
</tr>
</tbody>
</table>
NOTE 40  COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

THE FINANCIAL GROUP STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Financial group</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (loss) for the year</td>
<td>77,202</td>
<td>(113,552)</td>
</tr>
<tr>
<td>Other comprehensive income (expenses), net of tax available for sale assets revaluation</td>
<td>2,654</td>
<td>24</td>
</tr>
<tr>
<td>Total other comprehensive income, net of tax</td>
<td>2,654</td>
<td>24</td>
</tr>
<tr>
<td>Total comprehensive income(expenses) for the period, net of tax</td>
<td>79,856</td>
<td>(113,528)</td>
</tr>
</tbody>
</table>

Atributable to:
Equity holders of the parent | 79,856 | (113,528) |
NOTE 40  COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUPS STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>Financial Group</th>
<th>31 December 2011</th>
<th>31 December 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>763,428</td>
<td>525,842</td>
</tr>
<tr>
<td>Due from banks</td>
<td>836,215</td>
<td>483,406</td>
</tr>
<tr>
<td>Trading securities</td>
<td>32,189</td>
<td>30,177</td>
</tr>
<tr>
<td>Securities designated at fair value through profit or loss</td>
<td>388,287</td>
<td>459,498</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>11,533</td>
<td>24,683</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>6,049</td>
<td>323,925</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>8,590,206</td>
<td>8,742,349</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>295,823</td>
<td>385,475</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>78,238</td>
<td>33,612</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>90,991</td>
<td>98,629</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>6,257</td>
<td>5,993</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>29,839</td>
<td>30,184</td>
</tr>
<tr>
<td>Other assets</td>
<td>62,963</td>
<td>38,104</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>11,192,018</strong></td>
<td><strong>11,181,877</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND EQUITY</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to banks</td>
<td>4,506,051</td>
<td>5,327,814</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>31,463</td>
<td>61,862</td>
</tr>
<tr>
<td>Due to customers</td>
<td>5,147,011</td>
<td>4,335,032</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>114,954</td>
<td>151,563</td>
</tr>
<tr>
<td>Subordinated loans</td>
<td>38,544</td>
<td>403,622</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,030</td>
<td>535</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>41,028</td>
<td>33,638</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>9,880,081</strong></td>
<td><strong>10,314,066</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity attributable to equity holders of parent</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>656,665</td>
<td>656,665</td>
</tr>
<tr>
<td>Share premium</td>
<td>282,929</td>
<td>282,929</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>7,156</td>
<td>(242,688)</td>
</tr>
<tr>
<td>Reserves</td>
<td>365,187</td>
<td>170,905</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>1,311,937</strong></td>
<td><strong>867,811</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total liabilities and equity</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>11,192,018</strong></td>
<td><strong>11,181,877</strong></td>
</tr>
</tbody>
</table>
NOTE 40  COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Issued shares</th>
<th>Share premium</th>
<th>Financial assets revaluation reserve</th>
<th>Mandatory reserve</th>
<th>Other reserves</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2010</td>
<td>656,665</td>
<td>282,929</td>
<td>(2,793)</td>
<td>18,763</td>
<td>190,742</td>
<td>(337,607)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>(113,552)</td>
</tr>
<tr>
<td>Depreciation transfer for land and buildings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
</tr>
<tr>
<td>Increase of reserve capital (by additional contributions of shareholders)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>172,640</td>
</tr>
<tr>
<td>Transfer of reserves</td>
<td>-</td>
<td>-</td>
<td>(18,563)</td>
<td>(189,904)</td>
<td>208,467</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31 December 2010</td>
<td>656,665</td>
<td>282,929</td>
<td>(2,769)</td>
<td>200</td>
<td>173,474</td>
<td>(242,688)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>2,654</td>
<td>-</td>
<td>-</td>
<td>77,202</td>
</tr>
<tr>
<td>Depreciation transfer for land and buildings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Increase of reserve capital (by additional contributions of shareholders)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>364,270</td>
</tr>
<tr>
<td>Transfer of reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(172,640)</td>
<td>172,640</td>
</tr>
<tr>
<td>Balance at 31 December 2011</td>
<td>656,665</td>
<td>282,929</td>
<td>(115)</td>
<td>200</td>
<td>365,102</td>
<td>7,156</td>
</tr>
</tbody>
</table>
NOTE 40  COMPLIANCE WITH REGULATORY REQUIREMENTS (continued)

FINANCIAL GROUP STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th>Financial Group</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receipts</td>
<td>377,506</td>
<td>431,345</td>
</tr>
<tr>
<td>Interest payments</td>
<td>172,185</td>
<td>191,230</td>
</tr>
<tr>
<td>Collected previously written-off loans</td>
<td>4,027</td>
<td>2,405</td>
</tr>
<tr>
<td>Receipts and payments from FX trading</td>
<td>6,550</td>
<td>24,604</td>
</tr>
<tr>
<td>Net receipt from operations in securities</td>
<td>7,001</td>
<td>11,911</td>
</tr>
<tr>
<td>Fee and commission receipt</td>
<td>88,425</td>
<td>73,933</td>
</tr>
<tr>
<td>Fee and commission payments</td>
<td>19,196</td>
<td>16,495</td>
</tr>
<tr>
<td>Salaries and related payments</td>
<td>87,939</td>
<td>84,920</td>
</tr>
<tr>
<td>Other payments</td>
<td>55,464</td>
<td>82,096</td>
</tr>
<tr>
<td>Net cash flow from operating profits before changes in operating assets and liabilities</td>
<td>135,625</td>
<td>169,657</td>
</tr>
<tr>
<td>(Increase) decrease in operating assets</td>
<td>(276,521)</td>
<td>1,010,840</td>
</tr>
<tr>
<td>(Increase) decrease in loans to credit and financial institutions</td>
<td>(464,147)</td>
<td>(148,435)</td>
</tr>
<tr>
<td>Decrease in loans granted</td>
<td>68,861</td>
<td>857,477</td>
</tr>
<tr>
<td>Purchase of trading securities</td>
<td>(2,321,607)</td>
<td>(1,955,483)</td>
</tr>
<tr>
<td>Proceeds from trading securities</td>
<td>2,318,857</td>
<td>1,999,509</td>
</tr>
<tr>
<td>Decrease in other assets</td>
<td>121,515</td>
<td>257,772</td>
</tr>
<tr>
<td>Change in operating assets</td>
<td>135,625</td>
<td>169,657</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities</td>
<td>(60,041)</td>
<td>(52,115)</td>
</tr>
<tr>
<td>Change in liabilities</td>
<td>(150)</td>
<td>(154)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>365,987</td>
<td>1,128,228</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>135,625</td>
<td>169,657</td>
</tr>
<tr>
<td>Investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property, plant, equipment and intangible assets</td>
<td>(7,738)</td>
<td>(2,671)</td>
</tr>
<tr>
<td>Disposal of property, plant, equipment and intangible assets</td>
<td>799</td>
<td>3,639</td>
</tr>
<tr>
<td>Purchase of available for sale securities</td>
<td>(2,068)</td>
<td>(6,515)</td>
</tr>
<tr>
<td>Proceeds from available for sale securities</td>
<td>322,608</td>
<td>76,621</td>
</tr>
<tr>
<td>Purchase of securities designated at fair value through profit or loss</td>
<td>(482,921)</td>
<td>(525,678)</td>
</tr>
<tr>
<td>Proceeds from securities designated at fair value through profit or loss</td>
<td>546,662</td>
<td>297,732</td>
</tr>
<tr>
<td>Dividends received</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Interest received</td>
<td>16,498</td>
<td>27,261</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>(36,524)</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of subsidiaries shares</td>
<td>8,669</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flows from investing activities</td>
<td>365,987</td>
<td>(129,599)</td>
</tr>
<tr>
<td>Financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own debt securities redemption</td>
<td>(62,823)</td>
<td>(580,606)</td>
</tr>
<tr>
<td>Own debt securities issued</td>
<td>38,605</td>
<td>108,935</td>
</tr>
<tr>
<td>Increase in reserve capital</td>
<td>364,270</td>
<td>172,640</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5,831)</td>
<td>(27,246)</td>
</tr>
<tr>
<td>Repaid subordinated loans</td>
<td>(364,270)</td>
<td>-</td>
</tr>
<tr>
<td>Repaid loans</td>
<td>-</td>
<td>(500,656)</td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>(30,049)</td>
<td>(826,933)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>134,851</td>
<td>171,696</td>
</tr>
<tr>
<td>Net foreign exchange difference on cash and cash equivalents</td>
<td>(8,751)</td>
<td>(5,651)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>693,284</td>
<td>527,239</td>
</tr>
<tr>
<td>Cash and cash equivalents as at 31 December</td>
<td>819,384</td>
<td>693,284</td>
</tr>
</tbody>
</table>

NOTE 41  EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no material subsequent events at the Group and the Bank.