

# **AB DnB NORD BANKAS**

## **BASE PROSPECTUS OF 300.000.000 EURO MEDIUM-TERM NOTE PROGRAMME**

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**VILNIUS, OCTOBER 2010**

**DnB NORD**

# **AB DNB NORD BANKAS**

(WITH THE HEAD OFFICE REGISTERED IN VILNIUS, HEREINAFTER REFERRED TO AS THE “BANK” OR “ISSUER”)

## **BASE PROSPECTUS OF 300.000.000 EURO MEDIUM-TERM NOTE PROGRAMME**

THIS BASE PROSPECTUS (HEREINAFTER REFERRED TO AS “THE BASE PROSPECTUS” OR “THE PROSPECTUS”) WAS DRAWN UP IN ACCORDANCE WITH THE RULES FOR DRAWING UP AND APPROVAL OF THE SECURITIES PROSPECTUS AND DISCLOSURE OF INFORMATION AS APPROVED BY THE RESOLUTION NO. 1K-21 OF THE SECURITIES COMMISSION OF THE REPUBLIC OF LITHUANIA OF 15 JULY 2005 (WITH AMENDMENTS), AND REGULATION NO 809/2004 OF THE COMMISSION (EC) OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS.

THIS BASE PROSPECTUS WAS PREPARED FOLLOWING THE PROCEDURE LAID DOWN IN ANNEXES V AND XI TO REGULATION NO 809/2004 OF THE COMMISSION OF THE EUROPEAN COMMUNITIES.

THE DOCUMENTS INCORPORATED INTO THIS BASE PROSPECTUS BY REFERENCE ARE LISTED ON PAGE THREE OF THIS BASE PROSPECTUS.

THE FINAL TERMS OF THE OFFERING (-S) OF SECURITIES ARE PRESENTED IN A SEPARATE DOCUMENT (HEREINAFTER REFERRED TO AS “THE FINAL TERMS”). THE INFORMATION ON THE PROCEDURE FOR THE ESTABLISHMENT OF THE FINAL TERMS IS DESCRIBED IN ANNEX 1 OF THE BASE PROSPECTUS. THE INFORMATION ABOUT THE FINAL TERMS WILL BE MADE AVAILABLE TO THE PUBLIC IN ACCORDANCE WITH SECTION 2.7 OF THE PROSPECTUS. THE FINAL TERMS ARE NOT SUBJECT TO APPROVAL BY THE SECURITIES COMMISSION.

DECISIONS OF POTENTIAL INVESTORS TO ACQUIRE THE SECURITIES OFFERED BY THE ISSUER SHOULD BE BASED ON CONSIDERATION OF ALL DOCUMENTS CONSTITUTING THE PROSPECTUS.

INVESTMENT INTO SECURITIES CARRIES CERTAIN RISKS. THEREFORE, THE SECURITIES OFFERED BY THE ISSUER SHOULD ONLY BE ACQUIRED BY INVESTORS WHO HAVE SUFFICIENT FINANCIAL KNOWLEDGE AND EXPERTISE TO MAKE A PROPER ASSESSMENT OF THE RISKS RELATED TO THE ISSUER’S ACTIVITIES AND TO THE SECURITIES ISSUED ON THE BASIS OF THIS PROSPECTUS.

THE MAIN RISK FACTORS RELATED TO THE ISSUER, SUCH AS THE CREDIT CONDITION OF ITS CLIENTS, CHANGES IN MARKET VARIABLES, THE LIQUIDITY OF FINANCIAL RESOURCES AND FACTORS OF OPERATIONAL RISKS OF THE ISSUER ARE LISTED IN SECTION 3.2 OF THE BASE PROSPECTUS. THE MAIN RISK FACTORS RELATED TO THE SECURITIES OFFERED OR PLANNED TO BE OFFERED, SUCH AS LIQUIDITY OF THE SECURITIES MARKET, THE LEVEL OF INTEREST RATES, ETC., ARE LISTED IN SECTION 2.1 OF THIS BASE PROSPECTUS OR(AND) IN THE FINAL TERMS.

NO INFORMATION CONTAINED IN THIS BASE PROSPECTUS HAS BEEN AUDITED, UNLESS INDICATED OTHERWISE.

## **PRESENTATION OF INFORMATION BY REFERENCE**

These documents, previously submitted or submitted together with this Base Prospectus to the Securities Commission of the Republic of Lithuania, are presented by reference and form an integral part of this Base Prospectus:

- The Issuer's Consolidated Annual Report for 2008 (hereinafter referred to as "the Annual Report for 2008");
- The Issuer's Consolidated Annual Report for 2009 (hereinafter referred to as "the Annual Report for 2009");
- The Issuer's interim consolidated report for the six months of 2010 (hereinafter - "the Interim Report"), and the Issuer's interim condensed financial information made public therewith;
- The Issuer's audited financial statements for the year ended 31 December 2008 (hereinafter - "the Financial Statements for 2008") and Issuer's audited financial statements for the year ended 31 December 2009 (hereinafter - "the Financial Statements for 2009"), prepared in accordance with the International Financial Reporting Standards.

The information provided in this Prospectus and in the documents incorporated herein by reference may be updated in annexes to the Prospectus according to Articles 18-21 of the Rules for Drawing up and Approval of the Securities Prospectus and Disclosure of Information as approved by Resolution No. 1K-21 of the Securities Commission of Republic of Lithuania of 15 July 2005, and Article 16 of the Directive 2003/71/EC of the European Parliament and Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

This Base Prospectus and the documents incorporated herein by reference are accessible, and free copies of them are available:

- At the Bank's Markets Department, J. Basanavičiaus g. 26, Vilnius, from 8:00 till 16:30 on business days (till 15:00 on Fridays) and on the Bank's website, [www.dnbNord.lt](http://www.dnbNord.lt). Phone for enquiries: +370 5 239 3055, +370 5 239 3516.
- At office and on the website of the Distributor. If a Distributor is appointed, its contact details will be specified in the Final Terms of each issue.
- On the website of the Central Storage Facility ([www.crib.lt](http://www.crib.lt)).

## GENERAL DEFINITIONS USED IN THIS BASE PROSPECTUS

**Issuer** means AB DnB NORD bankas.

**Bank** is used with the same meaning as the Issuer.

**Programme** means a plan approved by the Resolution of the Management Board of the Bank on 13 September 2010, on the basis of which notes of the established type are issued in a repeated manner during a 12 month period; Terms of each tranche, offered on the basis of the Programme are laid down in the Base Prospectus and Final Terms.

**Base Prospectus or Prospectus** means a collection of documents intended for investors and general public containing the main information concerning the Issuer and its securities that are offered to the public or admitted to trading in a regulated market, as well as terms of their distribution, the rights and duties of the Issuer and investors.

**Final Terms** mean an integral part of the Prospectus containing information on the terms and conditions that were not known at the moment of approval of the Prospectus.

**Notes Subscription Agreement** means an Agreement signed with the investor, under which an investor subscribes for the notes issued by the Issuer and undertakes to pay for them. After the customer has paid the aggregate amounts for the notes under the Notes Subscription Agreement the paid notes will be recorded in the personal securities account of the investor.

**Financial Instrument** is understood the way it is defined in the Law on Markets in Financial Instruments of the Republic of Lithuania.

**Trustee** means a credit institution or an investment firm licensed to provide investment services, which is protecting the interests of note owners in relations with the Issuer.

**Calculating Agent** means a credit institution or an investment firm licensed to provide investment services, which is calculating the amounts payable to note owners (interest, redemption price, etc.).

**Paying Agent** means a credit institution or an investment firm licensed to provide investment services, which is carrying out payments to note owners following the instructions given by the Calculating Agent.

**Distributor** means a credit institution or an investment firm licensed to provide investment services, which is appointed by the Issuer to distribute securities issued on the basis of this Prospectus. If several Distributors are appointed, "Distributor" is used in reference to the Global Coordinator appointed by the Issuer.

**Markets Business Day** means i) a business day of an organized market, when regular trading takes place in the regulated markets, which execute trades in Financial Instruments on the basis of which the value of the Financial Instrument is determined, also markets which execute trades in derivative Financial Instruments and/or ii) a business day of a non-organized market, when the Issuer may place an offer to acquire or to redeem the Financial Instruments.

**Financial Institutions Business Day** means a business day of financial institutions, on which the Issuer may carry out payments to a note owner, carry out currency exchange operations, establish interest rates and carry out other financial operations related with note servicing.

**Effective Date** means a day set in the Final Terms from which the note term starts. Unless otherwise specified in the applicable Final Terms, on the Effective Date the initial value of the Financial Instruments, to which the notes are linked, is established and/or the first interest period starts.

**Issue Price** means the initial offer price at the end of the placement period. The end of placement period shall be considered a specific date indicated in the Final Terms of a tranche, which may not coincide with the last day of the offer, if all the notes were placed before the end of set placement period.

**Technical Conditions of Financial Instrument Linked Notes (hereinafter – “Linked Notes”)** (Annex 2 to the Base Prospectus) forms an integral part of the Base Prospectus and describes the terms and conditions for the calculation of the Redemption Price and Interest of the Linked Notes.

**Technical Conditions of the Credit Linked Notes** (Annex 3 to the Base Prospectus) forms an integral part of the Base Prospectus and describes the terms and conditions for redemption of the Credit Linked Notes.

**The official exchange rate of Litas against Euro** means the exchange rate of Litas against Euro effective as of 2 February 2002, which is 3,4528 Litas for 1 Euro, as approved by the resolutions of the Government of the Republic of Lithuania and of the Board of the Bank of Lithuania

**Security Measure** means any measure, ensuring the Issuer that the investor who has submitted an application or has signed the Notes Agreement will have the financial capacity to perform the undertaken financial obligations to the Issuer. The Issuer decides on the appropriateness of the security measure. In every case the payment of the amount, equal to the size of obligations undertaken by the investor under the application or the Notes Agreement, to the account of the Issuer will be regarded as an appropriate security measure.

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## RESPONSIBLE PERSONS

Persons in charge of the information presented in this Base Prospectus are as follows:

- Werner Heinz Schilli – President of AB DnB NORD bankas
- Andrius Načajus – Head of the Markets Department of AB DnB NORD bankas
- Jurgita Šaučiūnienė – Chief Accountant of AB DnB NORD bankas
- Žygimantas Stankevičius – Head of the Legal Department of AB DnB NORD bankas.

The undersigned responsible persons confirm that to the best of their knowledge the information provided in the Base Prospectus is in accordance with the facts and contains no omission likely to affect its import, and that they have taken all reasonable measures to assure that.

President	<u>[signature]</u> (signature)	Werner Heinz Schilli
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Chief Accountant	<u>[signature]</u> (signature)	Jurgita Šaučiūnienė
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Head of Markets Department	<u>[signature]</u> (signature)	Andrius Načajus
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Head of Legal Department	<u>[signature]</u> (signature)	Žygimantas Stankevičius
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The Base Prospectus was signed in October, 2010 in Vilnius.



## 1. SUMMARY

This summary should be read as an introduction to the Prospectus. Before taking any decision to invest in securities, potential investors should consider the whole Prospectus and all documents incorporated therein by reference as well as the Final Terms.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability for the information provided in the summary (including the translation thereof) attaches to those persons who have tabled the summary, but only if the data in the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Issuer	AB DnB NORD bankas J. Basanavičiaus 26, Vilnius, Lithuania. Phone: +370 5 239 34 44, +370 5 239 30 55.
Principal Activities of the Issuer	The Issuer is engaged in the commercial banking activities
Guarantor	Notes issued on the basis of this Base Prospectus shall be nonguaranteed.
Programme Description	<p><b>The Programme of medium-term (from 6 months to 10 years) unsubordinated, nonguaranteed and non-convertible notes. Under the Programme one or several issues of fixed rate notes, floating rate notes, zero coupon notes, dual-currency notes, Financial Instrument Linked Notes, Credit Linked Notes and any combinations thereof may be issued.</b></p> <p><b>Credit Linked Notes are suitable for the investors who have extensive experience in investing and requisite knowledge, therefore we do not recommend to acquire these financial instruments to any other investors.</b></p> <p>All notes, except the Credit Linked Notes, if held to the day of maturity shall be redeemed at the price not less than the par value in the currency of the issue. The dual currency notes held to the day of maturity shall be redeemed at the price not less than the par value converted into the currency established in the Final Terms at the currency exchange rate or according to the procedure established in the Final Terms. The Credit Linked Notes held to the day of maturity shall be redeemed at the price not less than the par value if no Credit Event specified in the Final Terms occurs during the validity term of such notes. If a Credit Event occurs during the validity term of Credit Linked Notes, only the deliverable obligations of the Reference Entity as specified in the Final Terms will be delivered to the investor and the Issuer will not bear any responsibility to pay the par value plus the premium and the interest.</p> <p><b>The Programme is valid for 1 year from the date of approval of this Base Prospectus by the Securities Commission of the Republic of Lithuania.</b></p>
Risk Factors	<p>The main risk factors concerning the securities offered or planned to be offered on the basis of this Base Prospectus are specified in Section 2.1 of this Base Prospectus and include the following:</p> <p>i) the market risk (the investor assumes the risk, due to unfavourable fluctuations in the value of the financial instrument to which the notes are linked, of not receiving the premium and/or the coupons of the Linked Notes or even of losing part of the investment of the Financial Instrument Linked Notes due to the or even to lose a part of its investment in case the notes were acquired at a higher price than the par value and/or the Subscription fee was paid for the notes),</p>

- ii) Reference Entity's credit default risk (the investor assumes the risk of not receiving the par value of the notes and the premium and/or coupons of the Credit Linked Notes if a Credit Event(-s) specified in the Final Terms occurs during the validity term of Credit Linked Notes, in which case only the Deliverable Obligations of the Reference Entity specified in the Final Terms will be delivered to the investor. Upon the delivery of the Deliverable Obligations of the Reference Entity by the Issuer, the Bank will be considered to have fulfilled all the obligations under the respective notes. The Bank is not a party to the legal relations between the Reference Entity and the trustee of the securities issued by the Reference Entity, the Bank has no influence on such relations and assumes no liability in respect of the trustee of the securities issued by the Reference Entity. The investor also assumes the risk arising from the fact that in some cases the laws may prescribe no obligation for the Reference Entity to appoint a trustee of securities.),
- iii) the risks connected to early redemption (the yield of notes in case of early redemption will be lower than it could be if notes were held to maturity),
- iv) the risks connected to Unforeseen Events (in case of one or more Unforeseen Events the Issuer may change the observation dates for the Financial Instrument and the Financial Instruments themselves, or the calculation methods. Due to the changes and irrespective of the Issuer's efforts to ensure the same yield of the notes that existed before the Unforeseen Events, the investor may lose any part of or all coupons and/or the premium),
- v) the interest rate risk (the price of fixed rate, floating rate or zero coupon notes may rise or fall due to fluctuations of the interest rates; the interest rate risk is not relevant for the owners of fixed rate notes or zero coupon notes who hold the notes until the day of redemption),
- vi) the Issuer's credit risk (in case of deterioration of the Issuer's financial state and/or downgrading of the Issuer's credit rating the demand for the Issuer's debt securities may decrease and so also the price of debt securities),
- vii) the counterparty and settlement risk (the Bank may fail to make payments to the investors on the established terms and conditions, i.e. it may default on its financial obligations),
- viii) the taxation and legal risk (any changes in the legal acts concerning debt securities or any changes in the state taxation policy may affect the attractiveness of the notes offered under this Prospectus for all or individual groups of investors. Such changes may reduce the liquidity and/or price of the debt securities offered under this Prospectus),
- ix) the currency risk and the dual currency note risk (the change of the currency exchange rate in the unfavourable direction may reduce the yield of the securities),
- x) the liquidity risk (investors may incur losses when selling notes on a short notice, or when failing to sell the notes they hold during a certain period),
- xi) the risk of cancellation of the issue (in certain cases the issue of notes under this Prospectus may be considered to have not taken place and cancelled),
- xii) the listing risk (the Final Terms of certain issues may contain an intention of the Issuer to list the notes issued for trading on the regulated market. The investors acquiring the Issuer's securities in the primary market bear the risk that the Issuer's application for the listing of the securities for trading on the regulated market may be rejected due to technical or other reasons. In such case the liquidity of the securities may

	<p>decrease significantly),</p> <p>xiii) the risk related to investment of borrowed funds (the investors, funding the acquisition of the notes issued under this Prospectus (or any part thereof) directly or indirectly from the funds borrowed from any third parties or from the Issuer, assume the risk of such investment strategy, i.e. the risk that in case of any failure to receive the par value of the notes and/or the premium and/or the coupon of the notes, the investors may incur losses related to the repayment of the loan granted and the payment of the interest thereon or any other payments related thereto).</p>
Programme Size	<p>300.000.000 Euro</p> <p><i>(the maximum aggregate par value of the securities issued on the basis of this Prospectus shall not exceed 300.000.000 Euro, or an equivalent thereof in other currency)</i></p>
Trustee	The Trustee for the note holders is specified in the Final Terms. If the Trustee is replaced after the placement of the issue, the investors shall be notified thereof according to the procedure established in Section 2.7 of this Base Prospectus.
Calculating and Paying Agents	<p>AB DnB NORD bankas</p> <p>The Issuer may appoint an external Calculating and Paying Agent subject to a notice thereof in the Final Terms. If the agent is replaced after the placement of the issue, the investors shall be notified thereof according to the procedure established in Section 2.7 of this Base Prospectus.</p>
Distributor (-s)	<p>AB DnB NORD bankas</p> <p>The Issuer may provide for other or additional Distributor(s) in the Final Terms.</p>
Method of Placement	Public /private.
Country of Placement	The Republic of Lithuania and/or any other country specified in the Final Terms.
Placement Period	To be established in the Final Terms of each tranche.
Subscription	The notes will be subscribed by submission of an application and receipt of confirmation or by signing a Notes Subscription Agreement with an investor. The manner of subscription, the venues of subscription and the subscription period shall be specified in the Final Terms of each tranche.
Allocation	Notes shall be allocated on the time specified in the Final Terms. Notes of public issues as well as notes of public issues, a part of which is placed privately, will be allocated on the time priority principle, i.e. based on the time of submission of Application or the signing of the Notes Subscription Agreement.
Payment	The investor shall pay for the allocated notes until the Payment date specified in the Final Terms to the account specified in the application, confirmation or Notes Subscription Agreement. The Final Terms may require the investor to provide Security Measures, ensuring the Issuer that the investor, who submitted the application will be capable to pay for the notes specified in the application.
Par value of a note	The par value of the securities of each tranche will be defined in the Final Terms.
Issue Price	Notes may be issued both at par value and at more or at less than par value. The price of the securities of a specific tranche will be defined in the Final Terms of each tranche.
Subscription Fee	Unless otherwise stipulated in the Final Terms, the subscription fee shall not be applicable.

Denomination	Securities shall be denominated in Litas, Lats, Euro or any other currency. The issue currency shall be defined in the Final Terms of each tranche. In case the conditions of dual currency notes apply to the tranche, the notes will be redeemed and/or coupons will be paid in the other currency than the issue currency.
Fixed Rate Notes	The notes, the owners whereof shall be paid a fixed rate of interest. The interest rate shall be established according to the conditions of the financial and capital markets. The interest rate for fixed rate notes will be specified in the Final Terms.
Floating Rate Notes	The owners of the notes shall be paid a floating rate of interest, which depends on the interbank base interest rate in the European and other markets, and a fixed margin, which shall be added to the base interest rate. Conditions for calculation and payment of interest rate on floating rate notes will be specified in the Final Terms.
Zero Coupon Notes	The notes offered below par and redeemed at par. No coupon shall be paid for this type of notes. The yield of zero coupon notes will be specified in the Final Terms.
Linked Notes	The notes, the redemption price and/or the coupon whereof depend on the change in the value of the Financial Instrument to which the payments to the holder of the note are linked (the Underlying Financial Instrument) or a basket thereof and the Participation Rate. Participation Rate is the coefficient which describes the part of the positive change of the Financial Instrument which falls to the investor. Depending on the payable Coupon/Premium of the Linked Notes, they are categorized as:
a) Linked Coupon Notes	The coupons payable to the note holders depend on the Financial Instrument change and the Participation Rate.
b) Linked Redemption Notes	The redemption price of Linked Redemption Notes depends on the Financial Instrument change and the Participation Rate.
Dual Currency Notes	Any type of notes that are redeemed and/or pay coupons in the currency other than the issue currency.
Credit Linked Notes	Any type of notes that are redeemed and pay coupons (unless otherwise specified) if no Credit Event occurs during the validity term of the notes. Otherwise only Deliverable Obligations of a Reference Entity specified in the Final Terms will be delivered to the investor.
Coupon Payment Dates	All payments of coupons shall be made on the Coupon Payment Dates. The Coupon Payment Dates will be established in the Final Terms.
Day Count Convention	In case of Zero Coupon Notes: Act/360 (actual number of days in a month and 360 days in year). In case of Fixed and Floating Rate Notes: Act/Act (actual number of days in a month and year). Different day count conventions may be stipulated in the Final Terms.
Redemption	All notes, except Linked Redemption Notes and Credit Linked Notes, held to the specified date of maturity shall be redeemed by a single payment at par. The Linked Redemption Notes shall be redeemed at par plus a premium, but in any case no less than par. The Credit Linked Notes shall be redeemed at par or at par plus premium, but in any case at no less than par, if no Credit Event specified in the Final Terms occurs during the validity term of such notes. If a Credit Event occurs during the validity term of the Credit Linked Notes, only Deliverable Obligations of the Reference Entity specified in the Final Terms will be delivered to the investor.
Early Redemption	The early redemption at the option of the Issuer only applies to the tranches of notes, except for Fixed Interest and Zero Coupon note issues, if such option is provided for in the Final Terms of a specific tranche. If

	<p>the Final Terms provide for the early redemption, the Issuer shall have the right to redeem the notes early, having informed investors in the manner specified in section 2.7 of the Prospectus. This right of the Issuer shall be exercised if certain events specified in the Final Terms occur on certain event days specified in the Final Terms.</p> <p>The Final Terms of each tranche shall specify whether the note holders have the right to request early redemption. If such right is provided for, the Final Terms shall specify the dates on which the note holder may transfer all the relevant notes to the Issuer. In case of early redemption on the initiative of note owners, contract termination fees may apply, the size and the method of calculation of which will be specified in the Final Terms.</p> <p>The Issuer shall not conduct the secondary trading in early redeemed notes and shall apply to the Depository in the procedures established by the legal acts for the reduction of the note tranche by the number of the early redeemed notes.</p>
Listing	The Issuer may apply to NASDAQ OMX Vilnius and/or other stock exchanges for the listing of issued securities. The decision on trading in the securities of specific tranche in the regulated market will be made taking into consideration the market needs, the size of the issue and the listing-related costs. The stock exchanges to which applications will be sent for listing of specific tranches will be specified in the Final Terms.
Rating	No ratings will be provided for issues offered under this Prospectus.
Withholding taxes	The interest income received from these notes by foreign legal entities is subject to a withholding tax of 10% at the income source. In accordance with the effective wording of the Corporate Income Tax Law of the Republic of Lithuania, as of 1 January 2010 interest income is not taxable if it is paid to the units registered or otherwise organized in the EEA state or in the state with which Republic of Lithuania has concluded and applies treaties on evasion of double taxation.
Use of Proceeds	The proceeds received from the securities offered under this Prospectus will be used in the core business of the Issuer.
Publication of the Prospectus and Latest Information	<p>This Prospectus and the latest annual and interim financial statements are available on the website of the central storage facility at the address (<a href="http://www.crib.lt">www.crib.lt</a>) and on the Issuer's website at the address <a href="http://www.dnbNord.lt">www.dnbNord.lt</a>. In addition, free copies are available at the Issuer's Markets Department, J. Basanavičiaus str. 26, Vilnius, Lithuania. Telephones for enquiries: +370 5 239-3055, +370 5 239-3516.</p> <p>The relevant documents are also accessible and their free copies are available at the offices and on the website of the Distributor. The contact details of the Distributor will be specified in the Final Terms of each tranche.</p>
Publication of the Final Terms	The Final Terms will be published on the website of the Distributor, and (if the tranche is offered in Lithuania) on the website of the Issuer <a href="http://www.dnbNord.lt">www.dnbNord.lt</a> . The details of the Distributor and the address of the website will be specified in the Final Terms of each tranche.

## BRIEF INFORMATION ABOUT THE ISSUER

Issuer	AB DnB NORD bankas J. Basanavičiaus 26, Vilnius, Lithuania. Company code : 112029270 Phone: +370 5 239 34 44; Fax: +370 5 213 90 57 www.dnbnord.lt																												
Authorized capital	Issuer's authorized capital amounts to 656 665 410 Litas and is divided into 5 710 134 ordinary registered shares at 115 Litas par value each.																												
Principal activity of the Issuer	The Issuer is a credit institution incorporated in the Republic of Lithuania, holding a licence to engage and is engaged in acceptance of deposits and other repayable funds from unprofessional participants of the market and in lending thereof, also it has a right to engage in provision of other financial services and assumes the risks and liabilities related thereto.																												
Issuer's position in the market	<p>At the end of the first half-year of 2010, 9 commercial banks holding a licence and 10 foreign bank affiliates - 8 branches and 2 foreign bank representative offices – were operating in Lithuania. Furthermore, there were 68 credit unions and the Lithuanian Central Credit Union operating in Lithuania. All the above-mentioned entities are direct competitors of the Issuer.</p> <p>According to the information published by the Association of Lithuanian Banks, on 1 July 2010 the Issuer had a 14,13 % share of the assets market. During first half-year the market share of the Bank decreased by 0.08 percentage points. The market share of loans issued by the Issuer on 1 July 2010 constituted 16,16 % and decreased by 0,76 percentage points compared to the beginning of this year. The Issuer's market share of deposits on 1 July 2010 reached 12,39 % and has increased by 3,3 percentage points since the beginning of this year.</p>																												
Credit rating (by Fitch)	On 8 March 2010, following the assessment of the Issuer, the international rating agency Fitch Ratings affirmed the following ratings: - the Issuer's Long-term Issuer Default Rating (IDR) 'A', outlook stable. - the Issuer's Short-term IDR 'F1'.																												
Main risk factors related to the Issuer's activities	<p>The main risk related to the Issuer's activities is the Credit Risk, i.e. the risk to incur losses due to failure of the clients to perform their financial obligations to the Bank. The results of testing under the most unfavourable conditions show that the probable losses of the Issuer due to the credit risk would account for approximately 80% of all probable losses.</p> <p>The main indicators, describing the credit risk experienced by the Issuer (the Group) are provided in the following table:</p> <table border="1"> <thead> <tr> <th></th><th>2010 1st half-year</th><th>2009</th><th>2009 1st half-year</th><th>2008</th></tr> </thead> <tbody> <tr> <td>The share of all parts of loans and interest payments, overdue for more than 90 days and of devalued loans in the loan portfolio of whole the Group, in percentages</td><td>22,6</td><td>18,7</td><td>12,9</td><td>3,9</td></tr> <tr> <td>Group loan portfolio, in thousands LTL</td><td>10 005 187</td><td>10 731 352</td><td>10 932 220</td><td>11 294 133</td></tr> <tr> <td>Losses (spec. reserves) in case of decrease in the value of loans, in thousands LTL</td><td>843 720</td><td>667 312</td><td>347 947</td><td>114 523</td></tr> <tr> <td>The ratio of losses for decrease of value and the portfolio of loans issued by the Group, in percentages</td><td>8,2</td><td>6,2</td><td>3,2</td><td>1,0</td></tr> </tbody> </table>					2010 1st half-year	2009	2009 1st half-year	2008	The share of all parts of loans and interest payments, overdue for more than 90 days and of devalued loans in the loan portfolio of whole the Group, in percentages	22,6	18,7	12,9	3,9	Group loan portfolio, in thousands LTL	10 005 187	10 731 352	10 932 220	11 294 133	Losses (spec. reserves) in case of decrease in the value of loans, in thousands LTL	843 720	667 312	347 947	114 523	The ratio of losses for decrease of value and the portfolio of loans issued by the Group, in percentages	8,2	6,2	3,2	1,0
	2010 1st half-year	2009	2009 1st half-year	2008																									
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Other risks related to the Issuer's activities are:

- i) the Market Risk (i.e. a possibility to incur losses due to unfavourable changes in the market variables, e.g. changes in the market interest rates),
- ii) the Liquidity Risk (i.e. the risk of failure by the Issuer to meet financial liabilities in due time and the risk to incur losses due to a sudden decrease in financial resources and the increased cost of the new funding intended to cover such decrease),
- iii) the Operating Risk (i.e. the risk to incur direct or indirect losses as a result of inappropriate or ineffective internal processes, systems, technologies, actions of personnel, external factors such as criminal acts (money forgery, thefts, internet crime), natural disasters (fire, flood, explosion), negative public opinion, etc.), and
- iv) the Note Redemption Risk (i.e. the risk that the Issuer will not be able to fulfil obligations under the debt securities issued).

For a more detailed description of the risk factors related to the Issuer's activities please refer to Section 3.2 of the Prospectus.

The Issuer's activities are supervised by the Bank of Lithuania. The Bank of Lithuania has established prudential requirements which must be complied with by each bank registered in the Republic of Lithuania. The Issuer is in compliance with all the prudential requirements.

#### Bank and Financial Group\* compliance with prudential requirements in 2008 - 2009, 1st half-year of 2010

	Requirements	31 12 2008		31 12 2009		30 06 2010	
		Bank	Financial Group	Bank	Financial Group	Bank	Financial Group
Capital adequacy requirement	8**	11,61	11,74	11,41	11,67	11,44	11,88
Liquidity requirement	30	36,21	-	35,05	-	41,13	-
Open foreign exchange position	25	0,74	0,74	0,62	0,62	0,61	0,61
Maximum exposure to a single borrower requirement	25	13,12	13,05	10,39	10,36	12,87	12,97
Large exposure requirement	800	89,19	34,89	79,57	20,62	96,15	33,65

\* The prudential requirements are applicable only to the Issuer's Financial Group companies. The Financial Group is composed of the Issuer and its subsidiaries – UAB DnB NORD ūzings and UAB DnB NORD investicijų valdymas.

As of 30 September 2008 the Issuer is subject to the capital adequacy requirement of not less than 10 percent, according to the decision of 24 July 2008 of the Board of Lithuanian Bank, No 114 and the decision of 30 September 2009 of the Board of Lithuanian Bank No. 190.

#### Management

Supervisory Council	Management Board	Administration
<b>Thomas Stephan Buerkle</b>	<b>Werner Heinz Schilli<sup>1</sup></b>	<b>Werner Heinz Schilli</b>
Cord Friedrich Konrad Meyer	Dr Vygintas Bubnys	Dr Vygintas Bubnys
Tony Samuelsen	Gundars Andžans	Gundars Andžans
Andris Ozoliņš	Ramūnas Abazorius	Ramūnas Abazorius
Torstein Hagen	Fredrik J.Borch	Fredrik J.Borch
Jekaterina Titarenko	Šarūnas Nedzinskis	Šarūnas Nedzinskis
Margrethe Melbye Grønn		

The chairmen of the supervisory council and the management board as well as the

<sup>1</sup> The president and the chairman of the management board of the Bank Werner Heinz Schilli as of 1 November 2010 will take up a new position in NORD/LB. Dr. Vygintas Bubnys was elected to take up the position of the president and the chairman of the management board of the Bank as of 1 November 2010.

	chief executive officer – the president are printed in bold.
Organisational structure and shareholders	<p>Shareholders controlling over 5% of the Issuer's authorised capital on 31 August 2010:</p> <p>- Bank DnB NORD A/S (Denmark) – 100 %.</p> <p>The main shareholder of the Issuer - Bank DnB NORD A/S - is 49 % held by the German bank Norddeutsche Landesbank Girozentrale (NORD/LB), and 51 % held by the Norwegian bank DnB NOR Bank ASA.</p> <p>The Issuer, in its turn, controls 100 % of shares of UAB DnB NORD investicijų valdymas, engaged in investment and pension fund management, UAB DnB NORD lizingas, engaged in leasing of vehicles, equipment and the real estate, UAB Intractus and UAB Gėlužės projektai and 75,47 % of shares of UAB DnB NORD Būstas, engaged in the real estate brokerage.</p>



## SUMMARY OF FINANCIAL CONDITION

The historical Financial Statements of the Issuer for 2008 and 2009 have been drawn up in accordance with the International Financial Reporting Standards (IFRS), audited by the auditors of UAB Ernst & Young Baltic and approved by the General Meetings of Shareholders. The 2010 semi-annual interim consolidated financial statements presented in the Base Prospectus have not been audited.

Detailed explanations of the financial statements are provided in separate documents – the Financial Statements for 2008 and the Financial Statements for 2009, which are incorporated into this Prospectus by reference and constitute an integral part hereof. The official exchange rate of Litas against Euro (3.4528 Litas per 1 Euro), effective as of 2 February 2002, was approved by the Resolutions of the Government of the Republic of Lithuania and the Board of the Bank of Lithuania.

### The Group and Bank Statement of Financial Positions, in thousands LTL

	Group		Bank	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
<b>ASSETS</b>	<b>12 308 758</b>	<b>13 957 650</b>	<b>11 940 314</b>	<b>13 101 513</b>
Cash and balances with central banks	368 197	484 359	368 197	484 355
Due from banks	330 242	203 480	330 242	202 434
Trading securities	74 032	58 807	74 032	58 807
Debt securities designated at fair value through profit or loss	231 026	295 944	231 026	295 944
Derivative financial instruments	64 043	40 696	64 043	40 696
Securities available for sale	393 756	609 034	388 733	606 270
Loans and advances to customers	10 064 040	11 179 610	10 311 546	11 260 940
Finance lease receivables	501 731	901 735	-	-
Property, plant and equipment	116 313	136 683	107 941	120 519
Other assets	165 378	47 302	64 554	31 548
<b>LIABILITIES</b>	<b>11 502 957</b>	<b>13 014 296</b>	<b>11 129 724</b>	<b>12 157 224</b>
Due to banks	6 763 317	7 498 090	6 261 710	6 606 993
Derivative financial instruments	72 624	50 221	72 624	50 221
Due to customers	3 405 248	3 821 532	3 412 827	3 858 697
Debt securities in issue	814 045	1 179 048	814 045	1 179 048
Subordinated loans	403 540	405 387	403 540	405 387
Other liabilities	44 183	60 018	164 978	56 878
<b>Equity attributable to owners of the parent</b>	<b>805 801</b>	<b>943 354</b>	<b>810 590</b>	<b>944 289</b>
<b>EQUITY IN TOTAL</b>	<b>805 801</b>	<b>943 354</b>	<b>810 590</b>	<b>944 289</b>

### The Group and Bank Income (Expense) Statement, in thousands LTL

	Group		Bank	
	2009	2008	2009	2008
Interest income	648 289	817 257	615 232	759 284
Interest expense	(371 964)	(508 710)	(350 619)	(465 249)
<b>Net interest income</b>	<b>276 325</b>	<b>308 547</b>	<b>264 613</b>	<b>294 035</b>
Fee and commission income	74 787	85 974	73 917	81 975
Fee and commission expense	(16 422)	(17 454)	(16 146)	(17 275)
<b>Net interest, fee and commission income</b>	<b>334 690</b>	<b>377 067</b>	<b>322 384</b>	<b>358 735</b>
Net gain (loss) on operations with securities and derivative financial instruments	89 227	(2 922)	90 390	(2 454)
Net foreign exchange result	8 247	9 953	8 369	9 190
Impairment losses and provisions	(681 681)	(99 894)	(684 746)	(95 152)
Other income	12 163	7 267	10 251	6 642
Personnel expenses	(83 430)	(97 923)	(81 087)	(92 248)
Depreciation and amortisation	(20 620)	(19 122)	(17 080)	(14 227)
Other administrative expenses	(93 141)	(91 564)	(79 889)	(86 660)
<b>Profit (loss) before taxes</b>	<b>(434 545)</b>	<b>82 862</b>	<b>(431 408)</b>	<b>83 826</b>
Income tax	27 672	(13 455)	28 779	(13 089)
<b>Net profit (loss) for the period</b>	<b>(406 873)</b>	<b>69 407</b>	<b>(402 629)</b>	<b>70 737</b>

**Profit (loss) attributable to:**

Equity holders of the parent

**(406 873)****69 407****(402 629)****70 737****Earnings per share** (in LTL per share)

-per share

(76,07)

17,86

-per share with potential shares

(76,07)

17,86

**The Group and Bank Cash Flow Statement Summary, in thousands LTL**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2009</b>	<b>31 December 2008</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Net cash flow from operating activities before changes in operating assets and liabilities	218 745	194 476	230 191	187 375
Change in operating assets	713 532	(2 458 434)	345 415	(2 343 371)
Change in liabilities	(753 927)	1 986 856	(773 721)	2 019 204
Net cash flow from operating activities before income tax	178 350	(277 102)	(198 115)	(136 792)
Income tax paid	(8 827)	(22 441)	(8 543)	(21 991)
Net cash flow from operating activities	169 523	(299 543)	(206 658)	(158 783)
Net cash flow from investment activities	324 998	(154 496)	321 253	(173 646)
Net cash flow from financing activities	(519 034)	470 666	(139 226)	349 818
Net increase in cash and cash equivalents	(24 513)	16 627	(24 631)	17 389
Net foreign exchange difference	(205)	358	(83)	(405)
Cash and cash equivalents at the beginning of the year	551 957	534 972	551 953	534 969
Cash and cash equivalents on 31 December	527 239	551 957	527 239	551 953

**Summary of Interim Statement of Financial Positions, in thousands LTL**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
<b>ASSETS</b>	<b>11 764 037</b>	<b>12 308 758</b>	<b>11 656 860</b>	<b>11 940 314</b>
Cash and balances with central banks	454 424	368 197	454 424	368 197
Due from banks	570 348	330 242	570 348	330 242
Trading securities	74 111	74 032	74 111	74 032
Debt securities designated at fair value	450 734	231 026	450 734	231 026
Derivative financial instruments	47 078	64 043	47 078	64 043
Securities available-for-sale	339 443	393 756	334 474	388 733
Loans and advances to customers	9 161 468	10 064 040	9 560 701	10 311 546
Financial lease receivables	394 169	501 731	-	-
Property, plant and equipment	106 243	116 313	101 797	107 941
Other assets	166 019	165 378	63 193	64 554
<b>LIABILITIES AND EQUITY</b>	<b>11 031 711</b>	<b>11 502 957</b>	<b>10 907 778</b>	<b>11 129 724</b>
Due to banks	5 962 652	6 763 317	5 702 568	6 261 710
Derivative financial instruments	88 899	72 624	88 899	72 624
Due to customers	4 066 989	3 405 248	4 070 059	3 412 827
Debt securities in issue	469 669	814 045	469 669	814 045
Subordinated loans	403 470	403 540	403 470	403 540
Other liabilities	40 032	44 183	173 113	164 978
<b>Equity attributable to owners of the parent</b>	<b>732 326</b>	<b>805 801</b>	<b>749 082</b>	<b>810 590</b>
<b>EQUITY IN TOTAL</b>	<b>732 326</b>	<b>805 801</b>	<b>749 082</b>	<b>810 590</b>

**Interim Income (Expense) Statement of the Group and the Bank, in thousands LTL**

	<b>Group</b>		<b>Bank</b>		<b>Group</b>		<b>Bank</b>	
	<b>2nd quarter 2010</b>	<b>2nd quarter 2009</b>	<b>2nd quarter 2010</b>	<b>2nd quarter 2009</b>	<b>1st half year 2010</b>	<b>1st half year 2009</b>	<b>1st half year 2010</b>	<b>1st half year 2009</b>
Interest income	119 488	167 171	116 890	157 823	237 648	366 656	232 002	344 312
Interest expense	(53 241)	(97 377)	(50 924)	(91 127)	(115 759)	(218 376)	(111 610)	(203 160)
<b>Net interest income</b>	<b>66 247</b>	<b>69 794</b>	<b>65 966</b>	<b>66 696</b>	<b>121 889</b>	<b>148 280</b>	<b>120 392</b>	<b>141 152</b>
Fee and commission income	18 240	17 635	18 575	18 372	34 721	34 683	35 524	36 197
Fee and commission expense	(3 940)	(4 182)	(3 801)	(4 159)	(7 941)	(8 174)	(7 670)	(8 125)
<b>Net interest, fee and commission income</b>	<b>80 547</b>	<b>83 247</b>	<b>80 740</b>	<b>80 909</b>	<b>148 669</b>	<b>174 789</b>	<b>148 246</b>	<b>169 224</b>
Net gain on operations with securities and derivative financial instruments	(9 652)	28 490	(9 662)	28 485	(7 157)	45 965	(5 542)	47 157
Net foreign exchange result	5 154	5 025	5 156	4 919	9 216	1 004	9 219	977
Impairment losses and provisions	(113 826)	(190 768)	(113 742)	(188 553)	(200 334)	(302 139)	(200 037)	(294 550)
Other income	4 287	3 254	3 219	2 203	7 860	5 864	5 382	3 505
Personnel expenses	(21 598)	(21 918)	(21 203)	(21 303)	(43 947)	(43 348)	(43 141)	(41 869)
Depreciation and amortisation	(4 352)	(5 170)	(3 850)	(4 250)	(8 909)	(10 324)	(7 792)	(8 346)
Other administrative expenses	(23 944)	(21 893)	(17 166)	(19 681)	(46 806)	(45 051)	(35 953)	(41 665)
<b>Profit (loss) before taxes</b>	<b>(83 384)</b>	<b>(119 733)</b>	<b>(76 508)</b>	<b>(117 271)</b>	<b>(141 408)</b>	<b>(173 240)</b>	<b>(129 618)</b>	<b>(165 567)</b>
Income tax	(101)	28 927	(1)	29 164	(201)	28 735	(1)	29 164
<b>Net profit (loss) for the period</b>	<b>(83 485)</b>	<b>(90 806)</b>	<b>(76 509)</b>	<b>(88 107)</b>	<b>(141 609)</b>	<b>(144 505)</b>	<b>(129 619)</b>	<b>(136 403)</b>
<b>Profit (loss) attributable to:</b>								
Equity holders of the parent	(83 485)	(90 806)	(76 509)	(88 107)	(141 609)	(144 505)	(129 619)	(136 403)
<b>Earnings per share (in LTL per share)</b>								
-per share	(14,62)	(17,67)			(24,80)	(28,12)		

-per share with potential shares	(14,62)	(17,67)	(24,80)	(28,12)
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**Interim Comprehensive Income (Expense) Statement of the Group and the Bank, in thousands LTL**

	<b>Group</b>		<b>Bank</b>		<b>Group</b>		<b>Bank</b>	
	<b>2nd quarter 2010</b>	<b>2nd quarter 2009</b>	<b>2nd quar- ter 2010</b>	<b>2nd quarter 2010</b>	<b>1st half year 2010</b>	<b>1st half year 2009</b>	<b>1st half year 2010</b>	<b>1st half year 2009</b>
<b>Profit (loss) for the period</b>	<b>(83 485)</b>	<b>(90 806)</b>	<b>(76 509)</b>	<b>(88 107)</b>	<b>(141 609)</b>	<b>(144 505)</b>	<b>(129 619)</b>	<b>(136 403)</b>
Other general income (expenditure), after taxes								
Due to repricing of financial property for sale	(1 556)	(3 730)	(1 506)	(3 588)	(922)	(3 181)	(945 )	(3 030 )
Other general income (expenditure) after taxes in total	(1 556)	(3 730)	(1 506)	(3 588)	(922)	(3 181)	(945 )	(3 030 )
<b>General profit (loss) for the period after taxes</b>	<b>(85 041)</b>	<b>(94 536)</b>	<b>((78 015)</b>	<b>(91 695)</b>	<b>(142 531)</b>	<b>(147 686)</b>	<b>(130 564)</b>	<b>(139 433)</b>
<b>Attributable to:</b>								
Equity holders of the parent	(85 041)	(94 536)	(78 015)	(91 695)	(142 531)	(147 686)	(130 564)	(139 433)

## Interim Cash Flow Statement Summary, in thousands LTL

	Group		Bank	
	1st half year 2010	1st half year 2009	1st half year 2010	1st half year 2009
Net cash flow from operating activities before changes in operating assets and liabilities	103 186	116 600	107 922	118 790
Change in operating assets	657 662	470 664	421 757	355 895
Change in liabilities	104 295	(205 411)	116 782	(196 030)
Net cash flow from operating activities before income tax	865 143	381 853	646 461	278 655
Income tax paid	(95)	(2 388)	-	(2 388)
Net cash flow from operating activities	865 048	379 465	646 461	276 267
Net cash flow from investment activities	(148 259)	122 594	(171 365)	122 237
Net cash flow from financing activities	(572 049)	(374 555)	(330 353)	(270 971)
Net increase in cash and cash equivalents	144 740	127 504	144 743	127 533
Net foreign exchange difference	(3 807)	(3 063)	(3 810)	(3 090)
Cash and cash equivalents at the beginning of the year	527 239	551 957	527 239	551 953
Cash and cash equivalents on 30 June	668 172	676 398	668 172	676 396

## 2. PROGRAMME DESCRIPTION

Under this Programme one or several tranches of medium term (6 months to 10 years) fixed interest rate notes, floating interest rate notes, zero coupon notes, dual currency notes, Financial Instrument Linked Notes, Credit Linked Notes or any combinations thereof may be offered.

**Credit Linked Notes are intended for the investors who have extensive experience in investing and requisite knowledge, therefore we do not recommend to acquire these financial instruments to any other investors.**

All notes will be unsubordinated, nonguaranteed and non-convertible.

Notes can be issued in any currency set in the Final Terms. When dual currency notes are issued, redemption and/or coupon payment currencies will differ from the issue currency.

All notes held to the day of maturity, with the exception of dual currency notes and Credit Linked Notes, will be redeemed at the price not less than the par value in the issue currency. The dual currency notes held to the day of maturity will be redeemed at the price not less than the par value converted into the currency established in the Final Terms at the exchange rate or according to the procedure established in the Final Terms. The Credit Linked Notes held to the day of maturity will be redeemed at the price not less than the par value if no Credit Event specified in the Final Terms occurs during the validity term of such notes. If a Credit Event occurs during the validity term of Credit Linked Notes, the Deliverable Obligations of the Reference Entity specified in the Final Terms will be delivered to the investor.

Notes issued on the basis of this Programme may be redeemed before the established redemption date on the initiative of the note owners and/or Issuer according to the procedure established in this Base Prospectus. Fixed rate notes and zero coupon notes may not be redeemed on the initiative of the Issuer.

Notes issued on the basis of this Programme will be offered in the Republic of Lithuania and/or other countries following the procedure established in the Base Prospectus of the Programme.

Notes, if stipulated so in the Final Terms, may be traded in regulated markets. No ratings will be assigned to the notes issued on the basis of this Programme.

Other conditions of the notes are or will be laid down in the Base Prospectus of the Programme and in a separate document called the Final Terms.

This Programme shall be valid for a period of 12 months from the day of approval of Base Prospectus by the Securities Commission of the Republic of Lithuania. During the validity term of the Programme, aggregate par value of notes outstanding issued on the basis of this Prospectus may not exceed 300.000.000 Euro or the equivalent amount in any other currency calculated according to the official exchange rate published by the European Central Bank on the day of issue.

## 2.1. RISKS RELATED TO THE SECURITIES ISSUED

The main risk factors related to the notes issued or planned to be issued are described below. Investors should note that this is not an exhaustive list of all possible risks.

### *Risks related to Linked Notes:*

#### **Market Risk:**

- **The risk of fluctuation of the value of the Financial Instrument to which the Linked Notes are linked (market risk):** the redemption price and/or coupons of the Linked Notes offered under this Prospectus, except the Credit Linked Notes, are linked to certain Financial Instruments. During the term of validity of the notes the value of these Financial Instruments may undergo substantial fluctuations and the investor assumes the risk of not receiving a premium and/or coupons due to the unfavourable fluctuations, i.e. the investor may receive only the par value at redemption, or even may lose part of the investment in case the notes were acquired at a higher price than the par value and/or a Subscription fee was paid for the notes.

**Historical data of the value of Financial Instruments to which the notes are linked do not guarantee a similar result during the term of validity of the notes,** therefore a potential investor should consult his financial advisor on risks characteristic to specific Financial Instruments to which the notes are linked and on the appropriateness of such investment.

- **Risk of market price fluctuation:** the market price of Linked Notes (i.e. the price after the period of offering but before redemption of notes) may undergo substantial fluctuation. Dependant on the value of redemption and/or the formula for calculation of coupons and participation rate, the market price may fluctuate more than the value of Financial Instruments to which the notes are linked. Generally, the higher is the participation rate, the more the price of notes fluctuates.

It must be noted that the market price of notes depends on conditions in the market for derivative financial instruments and in the interbank money market, so the market price of the note may not correlate with the price of Financial Instruments to which the notes are linked (for example, if the interest rates in the interbank market rise, the price of notes may fall even if in the meantime the price of Financial Instruments to which the notes are linked remains stable). Furthermore, the distribution in time of the change in value of Financial Instruments to which the notes are linked may influence the market price of notes. Generally, the changes in the value of Financial Instruments to which the notes are linked in the early stage of the term of validity of notes have a greater impact on the price of notes, than later changes of the same size.

The risk of market price fluctuation is not relevant to investors, who acquire notes during the period of offering and hold them until the day of redemption.

- **Risk of fund manager/ Index composer:** when issuing notes linked to units of investment fund or indexes the Bank does not check the activity of the respective fund manager or index composer and is not liable for any negative consequences connected to their actions or inactivity.

**Credit risk of the Reference Entity:** the investor assumes the risk of not receiving the par value of the note as well as the premium and/or coupons of the Financial Instrument if a Credit Event specified in the Final Terms occurs during the validity term of Credit Linked Notes. If during the term of validity of Credit Linked Notes a Credit Event occurs, the Deliverable Obligations of the Reference Entity specified in the Final Terms equivalent to the par value of the notes acquired by the investor will be delivered to the investor. The market price of the Deliverable Obligations of the Reference Entity may be lower than the original investment amount or equal zero.

If a Credit Event specified in the Final Terms occurs during the validity term of Credit Linked Notes and the Bank delivers the Deliverable Obligations of the Reference Entity to the investor, the Bank will be considered to have fulfilled all the obligations under the respective notes. The Bank is not a party to the legal relations between the Reference Entity and the trustee of the securities issued by the Reference Entity, it has no influence on such relations and assumes no liability in respect of the trustee of the securities issued by the Reference Entity. The investor also assumes the risk arising from the fact that in some cases the laws may prescribe no obligation for the Reference Entity to appoint a trustee of securities.

The Final Terms of such notes issue may specify further types of risk.

**Risks connected to Unforeseen Events:** in case one or more Unforeseen Events, as defined in Annex 2 of this Base Prospectus Technical Conditions of Linked Notes, occur, the Issuer may change the dates for determination of Financial Instrument values as well as the Financial Instruments themselves and their method of calculation. Due to such changes and irrespective of the Issuer's attempts to ensure the same yield conditions of notes as they existed before the Unforeseen Events, the investor may lose a part or all coupons and/ or the premium.

***Risks related to notes with an option of early redemption***

**Early redemption related risk:** when the Final Terms specify an Early Redemption option of the Issuer, the note holder bears a risk that the yield of notes on the early redemption will be lower than it could be if notes were held till the day of maturity.

Non-professional Investors are recommended to seek the assistance of a credit institution or an investment firm licensed to provide investment services or other specialists in this field for evaluation of these types of notes.

***Risks related to notes denominated in foreign currency and dual currency notes:***

**Currency risk:** investors assume the risk that if currency exchange rate changes in an unfavourable direction, the yield of securities may diminish. In case of dual currency notes, due to the change of currency exchange rate in an unfavourable direction the Redemption Price of notes may be lower than the par value of notes and/ or the investor may lose a part or all of coupons, if calculated in the currency of issue.

***Risks related to all notes:***

**Interest rate risk:** investors bear a risk of interest rate fluctuations, which may cause the rise or fall of the market price of notes. When interest rates rise in the market, the market price of debt securities decreases, and vice versa. The interest rate risk is not relevant for the owners of fixed rate notes and zero coupon notes who hold the notes until their day of redemption.

**Issuer's credit risk:** the investors acquiring the notes offered under this Prospectus assume the risk that a deterioration of the Issuer's financial state and/or a downgrading of the Issuer's credit rating may result in decreased demand for the Issuer's debt securities, and so also the price of the notes. At present, the Issuer has been assigned a long-term credit rating of A and short-term credit rating of F1 by the international rating agency Fitch Ratings. Risks related to the Issuer's activities are described in more detail in Section 3.2 of the Base Prospectus.

**Transaction counterparty and payment risk:** the investors acquiring notes issued on the basis of this Prospectus bear a risk that the Bank may fail to make payments to the investors on the established terms and conditions, i.e. it may default on its financial obligations.

**Taxation and legislation risk:** any changes in the legal acts concerning debt securities or any changes in the state taxation policy may affect the attractiveness of the notes offered under this Prospectus to all or individual groups of investors. Such changes may reduce the liquidity and/or price of the debt securities offered under this Prospectus. Furthermore, if notes are redeemed on the initiative of the Issuer sooner than 366 days after their issue, the investor may have to bear additional tax obligations.

**Liquidity risk:** investors acquiring notes assume the liquidity risk, i.e. investors may incur losses when selling notes on a short notice, or when during certain period being unable to sell the notes held.

**Risk of Issue Cancellation:** investors have to take into account that the issue of notes under this Prospectus in certain cases may be considered to have not taken place and cancelled.

Issue of notes may be cancelled and considered to have not taken place if the Issuer takes a decision to cancel a tranche and if the distributed nominal amount of securities is below 1.000.000 Euro or an equivalent thereof in other currency at the official fixed exchange rate published by the European Central Bank on the day of issue. Tranches of Linked Notes may be cancelled and considered to have not taken place in case of any economical, financial or political events which are likely to interfere with successful distribution of securities or acquisition of derivative financial instruments required to hedge against (cover) the Issue risk. An event of tranche cancellation will be published on the Issuer's website [www.dnb-nord.it](http://www.dnb-nord.it) and on the Distributor's website not later than within 3 (three) Financial Institutions Business Days from the end of the placement period. In such case where the issue



cancellation is announced within the set period all Notes Subscription Agreements signed will be considered invalid and not later than within 3 (three) Financial Institutions Business Days from the day of such announcement about cancellation investors will be repaid to their accounts indicated in the Notes Subscription Agreements the amount equal to the aggregate price paid for the Notes.

**Listing Risk:** the Final Terms of certain issues offered under this Prospectus may contain an intention of the Issuer to list the notes issued for trading on a regulated market. The investors acquiring the Issuer's securities in the primary market bear the risk that the Issuer's application for the listing of the securities for trading on the regulated market may be rejected due to technical or other reasons. Such rejection may cause a significant reduction in the liquidity of the securities. Furthermore, in such event some groups of investors (e.g. pension funds) could be forced to sell the securities acquired in the primary market due to restrictions established in regulations, causing a decrease in the securities price.

***Risk related to investment of borrowed funds:***

The investors, funding the acquisition of the notes issued under this Prospectus (or any part thereof) directly or indirectly from the funds borrowed from any third parties or from the Issuer, assume the risk of such investment strategy, i.e. the risk that in case the investor fails to receive the par value of the notes and/or the premium and/or coupons of the notes, the investor may incur losses related to the repayment of the loan granted and the payment of the interest thereon or any other payments related thereto.

**Given the fact that the actual terms and conditions of specific tranches are not known on the date of the preparation of this Base Prospectus, to protect the interests of investors the Bank may specify more types of risk related to a specific tranche in the Final Terms of such tranche.**

## **2.2. KEY INFORMATION**

### ***2.2.1. Interests of Natural and Legal Persons Involved in the Offer***

To the best of the Issuer's knowledge, no legal entities or private individuals have conflicts of interests in respect to the securities issued on the basis of this Prospectus.

### ***2.2.2. Reasons for the Offer and Use of Proceeds***

Proceeds from the securities issued on the basis of this Prospectus will be used in the main activities of the Issuer, i.e. to finance the Issuer's loan portfolio. The Issuer's loan portfolio may be financed in three main ways: deposits, interbank loans and notes issued. Selection of financing source depends on the prevailing conditions in the deposit, interbank loan and capital markets. The note coupon payments and redemption will mainly be financed through (i) interest from loans issued to the clients and the repayment of such loans (in most cases, payment of interest by the clients under loan agreements and loan repayment are ensured by collateral, warranties and/or guarantees); (ii) refinancing by new issues or additional borrowing in the interbank market; and/or (iii) by attracting additional deposits.

## **2.3. INFORMATION ABOUT SECURITIES**

### ***2.3.1. Type of Securities***

Under this Prospectus fixed rate notes, floating rate notes, zero coupon notes, dual currency notes, Linked Notes, Credit Linked Notes and any combinations hereof may be issued.

All securities issued are medium term unsubordinated, unguaranteed and non-convertible notes.

All notes, except the Credit Linked Notes, if held to the day of maturity shall be redeemed at the price not less than the par value in the currency of the issue. The dual currency notes held to the day of maturity shall be redeemed at the price not less than the par value converted into the currency established in the Final Terms at the currency exchange rate or according to the procedure established in the Final Terms. The Credit Linked Notes held to the day of maturity shall be redeemed at the price not less than the par value if no Credit Event specified in the Final Terms of the specific issue occurs during the validity term of such notes. Otherwise, only the Deliverable Obligations of the Reference Entity specified in the Final Terms will be delivered to the investor.

Prior to the Effective Date of the Notes of each tranche, an application for the ISIN code will be submitted to the Lithuanian Central Depository or the relevant institution of another country, wherein the placement will be made. No application will be submitted in respect of the tranches that are intended to be assimilated.

### ***2.3.2. Legislation under which Securities Have Been Created***

Securities offered under this Prospectus are issued in accordance with the Company Law, the Securities Law and the Markets in Financial Instruments Law of the Republic of Lithuania, Directive 2003/71/EC of the European Parliament and Council, Commission Regulation (EC) No. 809/2004, the Civil Code of the Republic of Lithuania and other legal acts.

Relations between the Issuer and investors concerning the securities planned to be offered shall be interpreted and carried out in accordance with the laws of the Republic of Lithuania. Any disputes arising on and related to the securities issued on the basis of this Prospectus shall be settled in the courts of the Republic of Lithuania according to the registered address of the Issuer pursuant to the legal acts of the Republic of Lithuania.

### ***2.3.3. Accounting for the Securities***

All the notes issued on the basis of this Prospectus shall be registered and nonmaterial.

Notes shall be accounted for in the investor's personal securities account opened with a credit institution or an investment firm licensed to provide investment services selected by the investor. Should the investor fail to select a credit institution or an investment firm licensed to provide investment services in the Notes Subscription Agreement, the acquired notes shall be held in custody at the Issuer.

### ***2.3.4. Issue Currency of Securities***

Securities offered under this Prospectus may be denominated in Litas, Lats, Euro or any other currency. Issue currency will be specified in the Final Terms of each tranche.

Payments to the note holders (coupons, redemption price, etc.) in case of dual currency notes may be made in a currency other than the issue currency. In such an event, payment currency and currency exchange rate, or a procedure of currency exchange rate establishment will be specified in the Final Terms of a specific issue. If a Credit Event occurs, the currency of the Deliverable Obligations of the Reference Entity may differ from that of the notes issued by the Issuer. In such case the par value of the notes issued by the Issuer will be converted to the currency of the Deliverable Obligations of the Reference Entity at the exchange rate or according to the procedure specified in the Final Terms.

### ***2.3.5. Security Classes***

Notes issued on the basis of this Prospectus shall not be divided into classes.

### 2.3.6. Rights Attached to the Securities

Debt securities issued on the basis of this Prospectus shall provide equal rights to their holders, which have been established by the Company Law of the Republic of Lithuania, other legal acts of the Republic of Lithuania.

After issuing the notes, the Issuer becomes a debtor of the note holder and undertakes obligations to the note owner.

Rights of the note holders:

- A. Note holders of Credit Linked Notes have a right
  - i. if no Credit Event occurs during the validity term of notes - on the maturity day of notes, to receive from the Issuer the amount of money, equal to the par value of held notes, calculated in the currency of issue,
  - ii. if a Credit Event occurs - to receive from the Issuer the Deliverable Obligations of the Reference Entity at the aggregate par value equal to the number of notes held multiplied by the par value per note, calculated in the issue currency of the Deliverable Obligations of the Reference Entity.
- B. Note holders of dual currency notes have a right to receive the redemption price, depending on the type of notes issued, equal to the par value or the par value and a premium converted to the currency specified in the Final Terms at the exchange rate or according to the procedure specified in the Final Terms.
- C. Note holders of Linked Redemption Notes have a right on the day of redemption of notes to receive from the Issuer the amount of money, dependent on the change of the Financial Instrument to which the notes are linked, but no less than the par value, calculated in the issue currency.
- D. During the term of validity of the notes to receive interest paid on Coupon Payment Days (*if applicable to the specific type of notes*).
- E. To sell or otherwise transfer all or any of the notes.
- F. If the note owner is a private person, to bequeath all or any of the notes to one or several persons.

Note holders having over 1/2 of the entire issue have the following rights:

- (i) to dismiss the credit institution or the investment firm licensed to provide investment services representing their interests (a credit institution or an investment firm licensed to provide investment services and the relations of the investors with it are described in more detail in Section 2.3.10 of the Base Prospectus) and to request the Issuer to conclude the contract with a credit institution or an investment firm licensed to provide investment services proposed by them;
- (ii) to instruct a credit institution or an investment firm licensed to provide investment services representing their interests that a breach committed by the Issuer is immaterial and therefore no actions should be taken to defend their interests (this provision shall not apply to breaches committed by the Issuer related to redemption of the notes and coupon payments).

Holders of the notes issued on the basis of this Prospectus will have a right to claim the redemption of notes following the procedure established in Section 2.3.8 of the Base Prospectus.

Under certain circumstances, and following the procedure established in Section 2.3.8 of the Base Prospectus, the Issuer has the right to redeem the notes issued on the basis of this Prospectus before the established term.

#### **PROCEDURE FOR EXERCISE OF THE RIGHTS ATTACHED TO THE SECURITIES**

If the Bank delays the redemption of notes or defaults on payments of coupons, and upon a written claim by an investor following the procedure established in this Section, the Bank shall pay to the investor delinquency charges of 0.01% on the outstanding amount for each day of delay, starting from the day of receipt of the claim until full settlement with the investor.

Claims on redemption payments may be lodged within 3 years of the Redemption Date of the notes. Claims on coupon payments may be lodged within 5 years of the relevant Coupon Payment Dates.

All the claims of investors must be made in writing. Investor claims may be submitted directly to the Issuer, or through a credit institution or an investment firm licensed to provide investment services and representing the interests of investors in relation with the Issuer.

Claims made by the investor shall be satisfied by the Issuer directly to the investor. If the Issuer is not able to fulfil its obligations according to the claim of investor directly to the investor, when possible the Issuer must transfer amounts payable to the investor (coupons, redemption, etc.) to the credit institution or investment firm licensed to provide investment services and representing investor interests in relations with the Issuer. The Issuer shall be considered as having fulfilled its obligations to the investor from the moment when the credit institution or the investment firm licensed to provide investment services and representing investor interests in relations with the Issuer has accepted everything handed over by the Issuer for the benefit of the investor.

### **2.3.7. Coupons**

#### *i) Fixed Rate Notes*

The Issuer shall pay a fixed rate of interest for every fixed rate note issued on the basis of this Prospectus, the amount of which shall be calculated as a certain percentage of the par value. A specific rate of interest shall be established in the Final Terms of each tranche.

Coupons shall be paid on the Coupon Payment Dates indicated in the Final Terms. If the Coupon Payment Date is not a Financial Institutions Business Day, the coupon shall be paid on the next Financial Institutions Business Day.

Interest for each period shall start accumulating on the Coupon Payment Date of the last period or in case of the first period - on the Effective Date, and shall accrue until the Coupon Payment Date of that period.

Unless otherwise established in the Final Terms, interest shall be calculated on the Act/Act Day Count Convention (using the actual number of days in a month and in a year) rounding the interest payable on each note to the nearest one cent or the smallest unit of any other currency under arithmetical rounding rules.

#### *ii) Floating Rate Notes and Linked Coupon Notes*

Interest payable to a note owner shall be calculated as a certain floating percentage of the par value.

*A. Floating Rate Notes.* The size of payment to be made to the owner of notes on the Coupon Payment Date will be determined according to a Reference Interest Rate for relevant term and currency on London (LIBOR), European (EURIBOR) or interbank markets of other states. A fixed margin, taking account of the borrowing costs in the capital markets, will be added to the Reference Interest Rate. The Reference Interest Rate, unless otherwise established in the Final Terms, will be set on the 3rd (third) Financial Institutions Business Days before the Coupon Payment Date. A specific Reference Interest Rate, the fixed margin, the days of determination of Reference Interest Rate and the Coupon Payment Dates will be established in the Final Terms.

Floating Rate Notes shall be subject to identical conditions regarding Coupon Payment Dates, interest accumulation, Day Count Convention and rounding as those established for the Fixed Rate Notes.

*B. Linked Coupon Notes.* Amount of interest payable to the note owner on the Coupon Payment Date shall be determined based on the change of the Financial Instrument and Participation Rate.

A Coupon Payment Date, unless otherwise established in the Final Terms, shall be the 5th (fifth) Financial Institutions Business Day from the interim observation date of the Financial Instrument as chosen by the Issuer. The specific Coupon Payment Dates will be defined in the Final Terms of the tranche.

Interest calculation formula and conditions of Linked Notes are laid down in Annex 2 “Technical Conditions of Linked Notes” of this Base Prospectus. Final Terms of a specific tranche may provide for other formula for calculation of interest.

The values of the Financial Instrument on the observation days will be published during the whole term of validity of notes on the Issuer’s website, [www.dnbnord.lt](http://www.dnbnord.lt) and on the Distributor’s website. The Distributor’s data and website address will be provided in the Final Terms of each issue.

#### *iii) Zero Coupon Notes*

Zero coupon notes shall pay no coupons; investors shall receive capital gain on the difference between the Issue Price and the par value of the note.

*iv) Dual Currency Notes*

Interest payable on dual currency notes shall depend on the type of notes and shall be calculated according to the procedure established in parts (i) and (ii) of Section 2.3.7. of the Base Prospectus, and converted into the currency established in the Final Terms at the currency exchange rate or according to the procedure established in the Final Terms.

*v) Credit Linked Notes*

Interest and/or premium payable on Credit Linked Notes shall depend on the type of notes and shall be calculated according to the procedure established in parts i) to iv) of Section 2.3.7 of the Base Prospectus. If a Credit Event specified in the Final Terms occurs, no interest is paid to the investor.

*Calculating agent*

The Issuer (AB DnB NORD bankas) is the Calculating Agent for all notes issued on the basis of this Prospectus. If the Issuer decides to appoint an external calculating and paying agent, a notice concerning this shall be given in the Final Terms of a specific issue by indicating the name, address and contact details of the appointed agent.

**2.3.8. Redemption**

*i) Redemption at maturity*

Notes held until redemption date, specified in the applicable Final Terms, (except Linked Redemption Notes) will be redeemed at par, calculated in the issue currency. Notes shall be redeemed by a single instalment paid on the specified Redemption Date.

Linked Redemption Notes shall be redeemed for par plus a premium, but in any case no less than the par value, calculated in the issue currency. The premium shall depend on the par value, the change in the Financial Instrument and the Participation Rate.

The formula for calculation of redemption amount is provided in Annex 2 “Technical Conditions of Linked Notes” of this Base Prospectus. The Final Terms of a specific tranche may provide for another formula for calculation of the redemption amount.

In case of dual currency notes, depending on the type of notes, the redemption amount shall be equal to the par value or par value plus a premium converted into a currency established in the Final Terms according to the currency exchange rate or the procedure established in the Final Terms.

In case the Credit Linked Notes are held to maturity, if no Credit Event specified in the Final Terms of the specific tranche occurs during this period, the notes will be redeemed as per paragraphs one to four of part i) of Section 2.3.8. Otherwise only the Deliverable Obligations of the Reference Entity specified in the Final Terms of the specific tranche will be delivered to the investor following the procedure specified in Annex 3 “Technical Conditions of Credit Linked Notes” of the Base Prospectus.

*ii) Early redemption*

A. *Redemption at the option of note owners:* The Final Terms of each tranche will indicate whether the note owners are entitled to request early redemption. If such right is provided, the note owner, who requested early redemption, will have to transfer to the Issuer all the notes of the specific issue that he holds. Notes shall be redeemed on the Early Redemption Dates as specified in the Final Terms.

The note owner, willing to transfer notes to the Issuer before maturity, not earlier than 20 calendar days before the Early Redemption Date at the Issuer's location of distribution of notes or at the distribution locations of Distributors appointed by the Issuer shall fill in and sign a form for termination of the contract, as prepared by the Issuer. When accepting this form the Distributor may ask for documents necessary for conclusion of the Note Agreement, as it is specified in Section 2.4 of this Base Prospectus, and may refuse to accept the application for termination if these documents are not provided.

After the Early Redemption Date, i.e. upon settlement of accounts with the investors, the Notes Subscription Agreement will be cancelled on the basis of the form submitted by the note owner. The price of early redemption will be calculated following the procedure established in Part ii.C of this Section.

B. *Redemption at the option of the Issuer*: The right to redeem notes before stated maturity at the option of the Issuer shall only apply to the tranches, except for Fixed Rate and Zero Coupon Notes, provided that such option is established in the Final Terms of the specific tranche. If such right is provided, the Final Terms of the issue shall specify the particular conditions and observation days of such conditions (Early Redemption Dates). If an event or one of the events specified in the Final Terms takes place on the Early Redemption Date, the Issuer shall, within 5 (five) Financial Institutions Business Days from such day, redeem the whole tranche of notes for the price calculated according to the procedure established in Part ii.C of this Section.

Information about the values of the Financial Instrument on the Early Redemption Dates as well as about early redemption shall be published on the Issuer's website, [www.dnbNord.it](http://www.dnbNord.it) and the Distributor's website as indicated in the applicable Final Terms of each tranche.

### C. *Determination of early redemption price*

1) *Fixed rate notes and floating rate notes* shall be redeemed at par value and interest accrued during the period from the last Coupon Payment Date (if no coupons have been paid – from the Effective Date) until the Early Redemption Date. Interest shall be determined in a manner specified in Section 2.3.7 of the Prospectus.

2) *Zero coupon notes* shall be redeemed early below par value, at Issue Price plus interest accrued from the Effective Date until the Early Redemption Date. Unless specified otherwise in the Final Terms, the interest shall be calculated by the Act/360 Day Count Convention. On Redemption Date zero coupon notes will be redeemed at par value.

3) *Linked Coupon Notes* shall be redeemed early at par value plus interest, which depends on the positive change of the Financial Instrument and the Participation Rate.

Unless specified otherwise in the Final Terms, the Early Redemption Price shall be determined in a manner specified in Annex 2 “Technical Conditions of the Linked Notes” of the Base Prospectus.

4) In case of *Linked Redemption Notes*, the Early Redemption Price shall consist of the par value and a premium, which depends on the positive change of the Financial Instrument and the Participation Rate.

Unless specified otherwise in the Final Terms, the Early Redemption Price shall be determined in a manner specified in Annex 2 “Technical Conditions of the Linked Notes” of the Base Prospectus.

5) In respect of *dual currency notes*, the Early Redemption Price depends on the type of notes and is determined in the manner established in Sections 1 - 4 and converted into the currency specified in the Final Terms according to the currency exchange rate or exchange rate calculation procedure established in the Final Terms. The Early Redemption Currency and the exchange rate or the procedure for the change of the exchange rate shall be identical to those of the Redemption at stated maturity.

6) In respect of *Credit Linked Notes*, the Early Redemption Price depends on the type of notes and is determined in the manner established in Sections 1 – 5 if no Credit Event specified in the Final Terms of the specific issue occurs during the validity period of the notes. If such Credit Event occurs, the Deliverable Obligations of the Reference Entity specified in the Final Terms of the specific tranche shall be delivered to the investor in the procedure specified in Annex 3 “Technical Conditions of Credit Linked Notes” of the Base Prospectus.

7) In respect of *notes with combined features*, relevant conditions laid down in Paragraphs 1 – 6 shall apply.

8) *Agreement termination fees*: Agreement termination fees may be applicable if the notes are redeemed at the option of the note owners before the stated maturity. The fees shall be deducted from payments to the note owners. Specific fee amounts and/or their calculation procedure will be established in the Final Terms of the tranches.

### iii) *Transfer of notes to the Issuer on the secondary market*

The investor has a right to transfer on the secondary market to the Issuer the notes issued under this Prospectus.

If notes are not listed on a regulated market, the price of the transfer to the Issuer shall be calculated by the Issuer. The Final Terms of each non-listed issue shall specify the relevant formula for calculation of the price of the transfer to the Issuer.

*iv) Other conditions of redemption*

If the redemption date is not a Financial Institutions Business Day, notes shall be redeemed on the next Financial Institutions Business Day.

Payments to investors will be made through the custodian of the investors' securities account, as specified in the Notes Subscription Agreement. If the investor's account changes, he must promptly communicate this to the custodian of his accounts, otherwise the payment amounts will be kept in the Issuer's bank and will be transferred upon the first request of the investor.

The Issuer has the right to buy and sell its notes at market price on a secondary market. The Issuer shall not trade in early redeemed notes in the secondary market and shall apply to the Depository for reducing the note issue by the number of early redeemed notes in the procedure set by the legal acts.

**2.3.9. Determination of the Yield**

The yield of notes issued under this Prospectus depends on the par value, issue price, acquisition fees, term, redemption price, and coupon size of the notes. In case of early redemption the yield of Notes also depends on the conditions in the securities market.

The formulas and connected conditions of coupon amounts and the redemption price of notes are provided in Annex 2 "Technical Conditions of Linked Notes", Sections 2.3.7 and 2.3.8 of this Base Prospectus and will be indicated in the Final Terms of the specific tranche.

**2.3.10 Representation of the Note Owners**

The Final Terms of each tranche specify a trustee for the issued securities (hereinafter – the Trustee), its address and contact details.

The Issuer may replace the Trustee following the procedure established in this Section. The Trustee indicated in the Final Terms represents only the interests of the note holders of that tranche of securities (hereinafter referred to as the Owners of Securities). If the Trustee is replaced after the issue is offered, the investors shall be informed thereof following the procedure established in Section 2.7 of this Base Prospectus.

**Obligations of the Trustee in protecting the rights and legal interests of the Owners of Securities**

Obligations of the Trustee in respect of the Owners of Securities:

- (i) The Trustee must protect the rights of the Owners of Securities in an honest and diligent manner, and exert best efforts to ensure that this protection is in maximum compliance with the interests of the Owners of Securities;
- (ii) The Trustee must, without any delay, transfer to the Owners of Securities everything that it had received for their benefit from the Issuer when protecting their rights and legal interests in relations with the Issuer;
- (iii) The Trustee must reimburse the Owners of Securities for any losses incurred by them as the result of an improper protection of their rights and legal interests.

The Trustee shall bear no liability when due to objective reasons it could not receive the information on the infringement of interests of the Owners of Securities or could not otherwise have reasonable grounds to believe that rights of the Owners of Securities have been infringed.

### **The rights of the Trustee in protecting the rights and legal interests of the Owners of Securities**

- (iv) The Trustee has a right to refuse to follow any instructions of the Owners of Securities that are illegal, unenforceable, non-specific, or contradicting the principles of prudence and justice, or that would infringe or restrict the rights and legal interests of other Owners of Securities or third parties without any legal basis.
- (v) The Trustee has a right to request the Owners of Securities to provide all relevant information about any infringement of their rights and legal interests. If the Owner of Securities fails to provide information required for the establishment of the infringement or refuses to provide it, it shall be considered that the rights and legal interests of the Owners of Securities have not been infringed.
- (vi) The Trustee has a right to initiate legal action for protection of the rights of the Owners of Securities.
- (vii) Third parties may directly or through the Trustee warranty or guarantee to the Owners of Securities the fulfilment of the Issuer's obligations arising in respect to the issued notes. The Trustee shall, without any delay, transfer to the Owners of Securities everything it has received for their benefit from third parties guaranteeing or warranting the fulfilment of the Issuer's liabilities arising from the issue of the notes.

### **Elimination of infringements of the rights and legal interests of the Owners of Securities**

- (viii) Upon the receipt from the Trustee of a notice about infringement of the rights and legal interests of the Owners of Securities, and upon satisfaction of the validity of the claim by the Issuer, the Issuer shall eliminate the infringements without any delay. In order to eliminate infringements of the rights and legal interests of the Owners of Securities, the Issuer shall carry out appropriate actions for the benefit of the Owners of Securities directly to the Owners of Securities.
- (ix) If the Issuer is not able to eliminate infringements of the rights and legal interests of the Owners of Securities directly to the Owners of Securities, everything that must be handed over to the Owners of Securities (coupons, redemption amount, etc.), when possible, shall be handed over by the Issuer to the Trustee. From the moment of acceptance by the Trustee of everything handed over by the Issuer for the benefit of the Owners of Securities, it shall be considered that the Issuer has fulfilled its obligations to the Owners of Securities.
- (x) At least half of the Owners of Securities of a tranche have the right to instruct the Trustee that an infringement upon the rights and legal interests of the Owners of Securities committed by the Issuer is immaterial and therefore there is no need to carry out certain actions for protection of their interests (this clause shall not apply to the breaches of the Issuer that are related to the redemption of securities and coupon payments).

### **Validity term and termination of agreement with the Trustee**

- (xi) The agreement with the Trustee shall come into effect from the moment of approval of the Prospectus by the Securities Commission of the Republic of Lithuania and shall be valid until the Bank fulfils all its obligations to the Owners of Securities.
- (xii) The agreement with the Trustee may be cancelled in the following cases:
  - (a) If the owners of at least half of the notes of a tranche request cancellation of the Agreement with the Trustee and the conclusion of a new agreement on protection of their rights and legal interests. In such event the agreement with the Trustee shall be cancelled only in respect to that tranche, where at least half of the owners have requested its cancellation;
  - (b) If the Trustee loses the right to act as a credit institution or an investment firm licensed to provide investment services;
  - (c) At the Issuer's initiative, upon at least thirty calendar days notice to the Trustee.
- (xiii) If the agreement with the Trustee has been terminated, to protect the interests of the note owners in their relations with the Issuer properly, an agreement with a new Trustee will be concluded immediately.



The agreement of the Issuer with the Trustee will be publicly accessible. It can be accessed at the Bank's Markets Department, J. Basanavičiaus str. 26, Vilnius, from 8:00 till 16:30 (until 15:00 on Fridays) on Business Days. Phones for enquiries: +370 5 239 3055, +370 5 239 3516,

Agreement with the Trustee shall also be accessible to the public at the Distributor's office specified in the Final Terms of each tranche.

### **2.3.11. The Basis for the Issue of Securities**

On the basis of this Prospectus, securities are issued by the resolution of 13 September 2010 of the Issuer's Board acting in accordance with the Issuer's Articles of Association:

**TITLE OF THE RESOLUTION:** *On the approval of a 300.000.000 Euro Medium Term Note Programme.*

- 1. Approve the EUR 300.000.000 (or other currency equivalent) Medium Term Note Programme (the MTN Programme) under which the Bank over the following 12 months can issue medium-term (from 6 months to 10 years) unsubordinated, non-guaranteed and non-convertible fixed rate notes, floating rate notes, zero coupon notes, dual currency notes, Financial Instrument Linked Notes, Credit Linked Notes and any combination of these types of notes.*
- 2. To assign the head of the Markets Department to establish all the conditions of the Programme, except for the final terms of each issue under the MTN Programme, and to prepare the prospectus of the Programme.*
- 3. To assign the head of the Markets Department to prepare an agreement with a credit institution or an investment firm licensed to provide investment services, according to which it would undertake to protect the interests of the owners of the notes issued under the MNT Programme in relation with the Bank, while the Bank would pay for its services.*
- 4. Authorize Executive Vice President Vyintas Bubnys or another Executive Vice President substituting him, to decide, based on the provisions approved by Risk Management Committee, on separate note issues under the MTN Programme and designate him to set the final terms, including par value of issues, annual coupon rates and fixed redemption dates, for all issues of notes under the MTN Programme.*

### **2.3.12. Date of Issues under this Prospectus**

The issue date of each tranche under this Prospectus shall be considered the Effective Date, specified in the Final Terms.

### **2.3.13. Restrictions on Securities Transfer**

Not applicable.

### **2.3.14. Taxes**

*The summary of the way of taxation of income earned from notes as provided in this Prospectus and as valid in the Republic of Lithuania at the time of approval of this Base Prospectus should not be considered as an advice on tax issues. Investors acquiring the notes should conduct their own research on taxes relevant to their jurisdiction and legal form.*

## **TAXATION OF INTEREST**

In accordance with the Corporate Income Tax Law of the Republic of Lithuania, the income received from these notes by the Lithuanian legal entities is subject to taxes imposed.

The interest income received from these notes by foreign legal entities is subject to a withholding tax of 10% at the income source. In accordance with the effective wording of the Corporate Income Tax Law of the Republic of Lithuania, as of 1 January 2010 interest paid to units registered or otherwise organized in the EEA state or in a state with which the Republic of Lithuania has concluded a treaty on evasion of double taxation is not subject to taxes.

The withholding tax shall be withheld, declared and paid to the budget of the Republic of Lithuania by the Issuer.

Pursuant to the Individual Income Tax Law of the Republic of Lithuania, the interest received from securities by permanent and non-permanent residents of Lithuania is free of the individual income tax provided that the redemption of the notes starts not earlier than 366 days from the date of issue of these securities.

The interest received by the permanent residents of Lithuania from the securities of the Issuer redeemed in less than 366 days from the date of their issue is subject to a 15% individual income tax.

The interest received by non-permanent residents of Lithuania from the notes redeemed in less than 366 days from the date of their issue is subject to a 15% individual income tax.

#### TAXATION OF CAPITAL GAIN

In accordance with the Corporate Income Tax Law of the Republic of Lithuania, the capital gain generated by the Lithuanian legal entities is subject to taxes imposed.

Pursuant to the Individual Income Tax Law of the Republic of Lithuania, the capital gain generated by the permanent residents of Lithuania is subject to a 15% individual income tax, if the notes are sold (i.e. the title to notes is transferred) in less than 366 days from the date of their acquisition. The capital gain generated from the notes sold by a permanent resident of Lithuania in 366 and more days from the date of their acquisition is free of taxes.

The capital gain generated by non-permanent residents of Lithuania and foreign legal entities is not regulated by the Individual Income Tax Law of the Republic of Lithuania and the Corporate Income Tax Law of the Republic of Lithuania.

#### TAX DECLARATION AND PAYMENT

The investor bears the liability to assess, declare and pay any taxes applicable to the investor with the exception of the withholding tax imposed on the interest received from the notes by foreign legal entities, and the individual income tax imposed on the interest received from the notes by permanent or non-permanent residents of Lithuania.

## 2.4. TERMS AND CONDITIONS OF THE OFFER

### 2.4.1. Placement Procedure

Public placement of the notes shall start immediately after publication of the Final Terms in accordance with the announcement procedure established in Section 2.7 of the Basis Prospectus. The precise date for the start of placement and end of placement of each tranche shall be specified in the applicable Final Terms.

The aggregate amount of the note issue shall be determined according to the Issuer's financing needs and capital market conditions, and shall be equal to the product of the Number of Notes Offered as indicated in the Final Terms and the Par Value of a note. A maximum Number of Notes Offered shall be specified in the applicable Final Terms, in such a case the Number of Notes Offered shall equal to the number of notes actually placed, which shall not exceed the established maximum number of notes.

The Final Terms may stipulate a Minimum or a Maximum Number of Notes Offered to an Investor. No other restrictions shall apply to investors acquiring the notes offered on the basis of this Prospectus.

Notes shall be placed publicly or privately in the country(s) indicated in the Final Terms. Notes of the same public issue in other countries may be placed privately.

Notes shall be offered by the Issuer and Distributors appointed by the Issuer, as specified in the applicable Final Terms. Notes shall be distributed:

1. by investor submitting the application, which is accepted by the Issuer by issuing a distribution confirmation to the investor, or
2. by signing the Notes Subscription Agreement with the investor.

The precise way of distribution will be specified in the Final Terms.

When accepting the application or when signing the Notes Subscription Agreement, the Distributor may request an investor to produce the following documents: for natural persons – personal identification documents, for legal persons – company registration certificate, copy of the articles of association of the company, authorization and personal identification documents of the representative. If an investor refuses to present these documents requested by the Distributor or refuses to present them in a form acceptable to the Distributor, the latter has the right to refuse the subscription.

Notes shall be distributed in the places of distribution as indicated in the Final Terms during their working hours or using the Issuer's Internet banking system if the Final Terms provide for that. Issuer's Internet banking system may be used by investors, who have concluded the respective agreements with the Issuer.

The notes shall be allocated in accordance with the Allocation procedure established in Section 2.4.2 of this Base Prospectus.

Payment for the allocated notes shall be made by the investors according to the Payment Terms established in Section 2.4.3 of the Base Prospectus.

Neither shareholders of the Issuer nor other persons shall have the right of pre-emption to subscribe to newly issued notes.

Placement of the notes may be terminated before the stated term if the whole issue of notes is distributed prior to the expiration of the placement term.

Investors will be informed about the beginning and the end of the public note offering period and about other events related to the offering in accordance with the Announcement Procedure established in Section 2.7 of this Base Prospectus.

In case information on early public placement of notes and the end of placement is published following the Announcement Procedure established in Section 2.7 of this Base Prospectus then note issues shall be considered as having taken place, all notes subscribed and paid will be considered to have been distributed and their number will not be reduced. The issue is recognized as not having taken place following the procedure established in Section 2.1 of this Prospectus.

#### **2.4.2. Allocation of Notes**

Notes shall be allocated at the time specified in the Final Terms. Notes of public issues, as well as notes of public issues, part of which may be distributed privately, will be allocated based on the principle of time priority, i.e. according to the time of submission of Application or signing of the Notes Subscription Agreement. If less than the number of subscribed notes is allocated to investor, it shall be held that application is submitted for the allocated number of notes, unless the investor states in the application, that he does not agree with partial fulfilment. The investor shall be informed personally about less than the full number of notes allocated no later than within 1 working day from the day of allocation.

#### **2.4.3. Payment Terms**

The investor shall pay for the notes allocated to him by the end of Payment period specified in the Final Terms to the account indicated in the application, confirmation of allocation or Notes Subscription Agreement (if this account is the personal account of the client opened in the Bank, - he shall accumulate the aggregate price of notes as stated in the application, confirmation of allocation or Notes Subscription Agreement and shall make sure that the Distributor is able to write-off this amount). The investor may choose on which day until Payment Deadline specified in the Final Terms to pay.

To secure the performance of obligations of investors under submitted applications, the Final Terms may specify an obligation of investors to provide Security Measures, ensuring the Issuer that the investor, who submitted the application, will be in the position to pay the notes indicated in the application. A requirement to provide Security Measures to secure performance of obligations under the application may be applied to: (i) all, (ii) certain category of investors, or (iii) to all except a certain category of investors (for example, institutional investors). The Final Terms shall specify who must provide Security Measures. If the investor as a Security Measure pays the respective amount to the account of the Issuer, the Issuer shall pay on that amount interest of the rate specified in the Final Terms. Such Interest shall accumulate in the same way as interest on notes, unless specified otherwise in the Final Terms.

The subscription price of the notes is specified in accordance with Section 2.4.5 of this Base Prospectus.

Notes Application or Notes Agreement, under which the notes are not fully paid by the Payment Deadline, becomes invalid without a separate notice to the investor on termination of Notes Application. If Notes Application becomes invalid, notes subscribed to under the said Notes Application shall be held undistributed.

Payment for the notes is due in the issue currency as specified in the applicable Final Terms.

Overpayments or payments under expired Notes Subscription Agreements, or late payments made by investors shall be returned to the investors within 5 (five) Financial Institutions Business Days by transferring the overpayment amount after deduction of transfer charges to an account indicated by the investor.

#### **2.4.4. Recording of Ownership**

An investor may specify in the application or in the Notes Subscription Agreement that the acquired notes be recorded to the investor's personal securities account opened with a credit institution or an investment firm licensed to provide investment services specified by the investor. If left unspecified, the acquired notes shall be accounted by a credit institution or an investment firm licensed to provide investment services indicated in the application or in the Notes Subscription Agreement.

#### **2.4.5. Subscription Price**

The notes shall be distributed for the Issue Price specified in the Final Terms, which is the price of notes on the last day of placement period. This price shall be fixed by the Issuer's decision considering information concerning the capital market. If additional distributors are involved in placement, the price shall be set by an agreement between the Issuer and the Distributor.

During the placement period, notes shall be placed at the price, which depends on the Payment Day. The price on each placement day shall be determined by discounting the Issue Price, specified in the Final Terms, at the annual Discount Rate of the Initial Placement Period as specified in the Final Terms using the following formula:

$$P = E \times (1 - \frac{i}{100} \times \frac{t}{360})$$

Where:

P – subscription price

E – the Issue Price, specified in the Final Terms

i – the Discount Rate of the Initial Placement Period, specified in the Final Terms

t – number of days left till the end of the placement period of the Notes

In case of zero coupon notes, unless specified otherwise in the Final Terms, the placement price is determined by discounting the Par Value, specified in the Final Terms, by the annual yield, specified in the Final Terms, according to the formula:

$$P = N \times \left( \frac{1}{1 + \frac{Y}{100} \times \frac{t+T}{365}} \right)$$

Where:

P – subscription price

N – the Par Value, specified in the Final Terms

Y – the Annual Yield, specified in the Final Terms, in percentage

t – number of days left till the end of the placement period

T- the term of the Notes in days

The definite subscription price of notes for each placement day shall be indicated in the Final Terms or in the annexes thereof.

When subscribing the notes during the initial placement period, the Issuer shall not charge the investor any intermediation (i.e. account opening, securities brokerage, and other) fees. Notwithstanding the above, the Final Terms may provide for a subscription fee payable by an investor to the Issuer (or the Distributor) together with the payment for the notes.

#### **2.4.6. Placement Intermediaries**

##### **DISTRIBUTORS**

Unless specified otherwise in the applicable Final Terms, notes issued on the basis of this Prospectus shall be distributed by the Issuer. The Bank acts both as the issuer of notes and as the investment firm distributing notes and has an interest to distribute the notes issued by it.

The Issuer at his own discretion may appoint one or more distributors of the tranche by informing thereof in the Final Terms of the tranche. If a tranche is distributed by several distributors, the Issuer or one of the distributors shall be appointed as a global coordinator for the tranche. In such event the details about the global coordinator shall be indicated in the Final Terms of the tranche.

The agreement of the Issuer and the distributor(s) may provide a possibility for the distributors to appoint additional distributors at their own discretion. Investors shall be notified in the Final Terms about such clause.

##### **PAYING AND DEPOSITORY AGENTS**

Unless specified otherwise in the applicable Final Terms, functions of the paying and depository agents shall be carried out by the Issuer. The Issuer has the right to appoint external paying agents and depository agents by specifying their names and addresses in the Final Terms of the tranche.

## **UNDERWRITERS**

The Issuer has not concluded and does not plan to conclude any agreements regarding the underwriting of tranches issued under this Prospectus. All tranches shall be placed on a best efforts basis, i.e. the Distributor (-s) shall not provide firm commitments to the Issuer to sell a certain portion of the issued notes.

## 2.5. ADMISSION TO TRADING AND DISTRIBUTION ARRANGEMENTS

The Final Terms of the notes offered under this Prospectus shall stipulate whether an application for admission to trading on a regulated market of the specific issue will be submitted. If the Final Terms stipulate a decision to apply for admission of trading of the specific issue and if not stated otherwise in the Final Terms, the application shall be submitted to:

AB NASDAQ OMX Vilnius Stock Exchange, List of Debt Securities

Investors should note that submission of application to the stock exchange does not mean an automatic admission to trading. The decision of the stock exchange on the admission to trading can be made only after the placement of issue is completed, therefore investors subscribing for the notes during their placement period bear the risk that the securities will not be listed, and therefore will become less attractive (or entirely unattractive) to certain categories of investors (e.g. pension funds or insurance companies).

An investor has no right to request the Issuer to redeem the subscribed notes due to the refusal of the stock exchange to approve the Issuer's application for inclusion on the exchange lists.

At present, to the knowledge of the Issuer, the following debt securities of the Issuer have been admitted to trading on the regulated markets or their equivalent markets:

Name of securities	1 year fixed rate notes	2 years fixed rate notes	2 years fixed rate notes	5 years zero coupon notes
Name of the exchange	AB NASDAQ OMX Vilnius	AB NASDAQ OMX Vilnius	AB NASDAQ OMX Vilnius	AB NASDAQ OMX Vilnius
ISIN code	LT0000410094	LT0000402406	LT0000402489	LT0000405052
Aggregate par value of the issue	23.642.600 Litas	12.900.300 Litas	15.000.000 Litas	15.000.000 Litas
Redemption date	05.10.2010	15.11.2010	05.03.2012	07.05.2015

The Issuer shall exert its own efforts to ensure liquidity of its listed securities on the secondary market. The Issuer has no agreements with a credit institution or an investment firm licensed to provide investment services to act as intermediaries in secondary trading and ensure liquidity in suggested prices.

The Issuer's Securities Trading Division, Markets Department, shall exert best effort to periodically quote prices of securities issued under this Prospectus and engage in their trading on the secondary market.

## 2.6. ADDITIONAL INFORMATION

No use of adviser services has been made in drafting this Prospectus.

Information contained in this Base Prospectus was not reviewed and checked by auditors, with the exception of annual financial information about the Issuer, which is presented in Section 3 "Registration Document" of the Base Prospectus. The key information about the audit firm which conducted an independent audit of the Issuer's Financial Statements for 2008 and the Financial Statements for 2009 is presented in Section 3.1 of the Base Prospectus.

No representations by a person acting with expert's rights have been included in this Base Prospectus.

No third party sources of information have been used in this Base Prospectus, save for the information specified in Section 3.12 of the Base Prospectus.

Securities issued on the basis of this Prospectus shall not be subject to rating, however, on 8 March 2010, the Issuer was assigned the following credit ratings by the international rating agency Fitch Ratings: A (long-term) and F1 (short-term).

## 2.7. PROCEDURE FOR MAKING OF ANNOUNCEMENTS

The Final Terms, as well as the information about:

- early placement of notes;
- replacement of the Trustee of the securities;
- change of the Financial instrument;
- coupon (interest) payments;
- Credit Event(s), specified in the Final Terms of the specific issue;
- other material events concerning the securities issued on the basis of this Prospectus (additional information)

shall be announced on the Distributor's website and (in case of distribution within Lithuania) on the Issuer's website, [www.dnb nord.lt](http://www.dnb nord.lt). Information on any material events related to note issues under this Prospectus shall be accessible and free copies of the respective documents shall be available at the Issuer's Markets Department, J. Basanavičiaus g. 26, Vilnius, from 8:00 till 16:30 on business days (till 15:00 on Fridays). Phone enquiries: +370 5 239 3055, +370 5 239 3516.

Information, which must be made public by the Issuer in accordance with the requirements of the legal acts, shall also be placed on the website of the Central Storage Facility ([www.crib.lt](http://www.crib.lt)).



## 2.8. ADDRESSES

### **ISSUER:**

AB DnB NORD bankas  
J. Basanavičiaus str. 26, Vilnius  
Phone: +370 5 239 30 55 +370 5 239 35 16  
Fax: +370 5 213 90 57.

Unless specified otherwise in the applicable Final Terms, the Issuer has appointed the following agents:

### **DISTRIBUTOR:**

AB DnB NORD bankas  
Markets Department  
J. Basanavičiaus str. 26, Vilnius  
Phone: +370 5 239 30 55, +370 5 239 35 16  
Fax: +370 5 239 37 83.

### **SECURITIES TRUSTEE:**

To be specified in the Final Terms

### **CALCULATING AGENT:**

AB DnB NORD bankas  
Markets Department  
J. Basanavičiaus str. 26, Vilnius  
Phone: +370 5 239 30 55, +370 5 239 35 16  
Fax: +370 5 239 37 83.

### **PAYING AGENT:**

AB DnB NORD bankas  
Settlement Department  
J. Basanavičiaus str. 26, Vilnius  
Phone: +370 5 239 35 64  
Fax: +370 5 239 37 83.

### **DEPOSITORY AGENT:**

AB DnB NORD bankas  
Settlement Department  
J. Basanavičiaus str. 26, Vilnius  
Phone: +370 5 239 37 71  
Fax: +370 5 239 37 83.

### 3. DESCRIPTION OF THE ISSUER

#### 3.1. STATUTORY AUDITORS

Key information on the audit company that has conducted an independent audit of the Financial Statements of the Bank and the Group for 2008 and 2009:

Company name:	Private Limited Company “Ernst & Young Baltic”
Registered address:	Subačiaus str. 7, LT-01127 Vilnius
Telephone number:	(+370 5) 274 22 00
Fax number:	(+370 5) 274 23 33
Legal form:	Private Limited Company
Date and venue of registration:	26 June 2002, State Enterprise Centre of Registers, Vilnius Branch
Registration number:	020961
Company code:	110878442

Information on the auditors who have conducted an independent audit of the Financial Statements of the Bank and the Group for 2008 and 2009:

Year	Given names, surname	Address	Certificate No	Issuer of the certificate
2009	Jonas Akelis	Subačiaus str. 7, LT-01127 Vilnius	000003	Lithuanian Chamber of Auditors
	Ramūnas Bartašius	Subačiaus str. 7, LT-01127 Vilnius	000362	Lithuanian Chamber of Auditors
2008	Jonas Akelis	Subačiaus str. 7, LT-01127 Vilnius	000003	Lithuanian Chamber of Auditors
	Ramūnas Bartašius	Subačiaus str. 7, LT-01127 Vilnius	000362	Lithuanian Chamber of Auditors

On 18 March 2010 the sole shareholder of the Bank decided to appoint the private limited company “Ernst & Young Baltic” as its audit company to conduct an audit of Financial Statements for the year 2010.

### 3.2. RISK FACTORS

The main risks related to the Issuer's activities are described below. Investors should note that it is not an exhaustive list of all possible risks. The risks listed below are of accidental nature, and the Issuer does not assume any responsibility to state the probability of occurrence of one or another event related to the below-described risk factors. Before investing into the Issuer's securities, potential investors should assess these and other risks, taking into consideration all the information presented in the Prospectus.

Risks related to the Issuer's securities, such as liquidity of the securities market, the interest rate level and the like, are listed in Section 2.1 of the Base Prospectus and the Final Terms.

The purpose of Issuer's risk management is to ensure an adequate return on equity by adhering to a conservative risk management policy. The scope of risks assumed by the Issuer is strictly limited by an effective limit system. Implementing an advanced risk management policy, the Issuer pursues a goal not only to minimize potential risk, but also to improve pricing and achieve a more efficient capital distribution. In order to assess probable losses caused by the liquidity risk, currency exchange rate risk, interest rate risk, the operating risk, the risk of ownership securities and credits granted and other risks, the testing under most unfavourable conditions is carried out in the Issuer on a quarterly basis. The risk capital and potential risks are assessed using standard, likely and worst case scenarios.

The main risk management principle is to segregate the function of the overhaul risk management from that of the risk assumption, i.e. from structural units, directly communicating with customers. The risk is managed on the scale of the entire Group (the Group consists of the companies listed in Section 3.5 of this Base Prospectus).

**For the detailed description of the financial risks related to the Issuer's activities please refer to the Section "Management of Financial Risks" (pages 78-98) of the Annual Report for 2009.**

**The credit risk** is a risk to incur losses due to the default of financial obligations to the Issuer by customers. The credit risk is the most significant in the Issuer's risk structure. The results of testing under the most unfavourable conditions show that probable losses that could be incurred by the Issuer due to the credit risk could account for a major part (over 80%) of total probable losses.

In order to avoid a large concentration of risk, the regular monitoring of the risks of exposure to both individual customers and separate economic sectors is carried out. Decisions on issue of large loans can be adopted exclusively by a competent collegial body. A possible concentration in certain economic sectors is restricted by internal percentage and volume limits of exposure established for individual economic sectors. The lending limits for economic sectors are established on the basis of assessment carried out annually using economic sector rating models.

The credit risk is managed by carrying out a comprehensive customer analysis prior to granting loans and carrying out monitoring afterwards. Risks are assessed using standardized loan/customer scoring and rating means, which are under constant improvement and the reliability of which is regularly checked according to the results of the analysis of historical data on the losses caused by the credit risk.

The credit risk management function is independent from structural units, communicating directly with the customers. The final approval for large loans is performed by a collegial body of required competence (the management board or the supervisory council of the Bank).

The Issuer's management is continuously informed about changes in the credit risk assumed in the form of reports.

Due to continuing unfavourable current market conditions the risk of default on loans and receivables has increased; therefore the credit risk losses incurred by the Issuer have also increased. The main indicators illustrating the credit risk incurred by the Issuer (the Group) are provided in the table below:

	2010 1st half	2009	2009 1st half	2008
Proportion of loan instalments or interest payments overdue more than	22,6	18,7	12,9	3,9

90 days, and impaired loans in the total loan portfolio, percent				
Group's loan portfolio, in thousands Lt	10 005 187	10 731 352	10 932 220	11 294 133
Loan value impairment losses (special provisions), in thousands Lt	843 720	667 312	347 947	114 523
Ratio between impairment losses and the Group's loan portfolio, percent	8,2	6,2	3,2	1,0

Increase of the credit risk is caused not only by financial difficulties faced by the Issuer's customers who have been granted loans and the related default on obligations to the Issuer, but also by decreasing value of security measures that could be foreclosed and realized in the event of customer's default. Considering that, the Issuer assesses the residual risk, i.e. the risk that the credit risk minimizing measures applied by the Issuer will be less efficient than expected, and calculates additional capital need to cover such risk.

**The market risk** is a risk to incur losses due to changes in the market parameters. The most significant risk to the Issuer is the interest rate risk, while the foreign currency exchange rate risk is of lower significance. In 2009, the risk of price of equity securities was insignificant to the Issuer due to the low positions of equity securities. The interest rate risk is assessed by calculating the bank's vulnerability to the interest rate changes, whereas the foreign currency exchange rate risk is assessed by calculating the open foreign currency positions. The interest rate and foreign currency exchange rate risks are restricted by the limits established by the Assets and Liabilities Committee of the DnB NORD Group (the DnB NORD Group consists of the companies listed in Section 3.5 of this Base Prospectus). In 2006 the Issuer adjusted the market risk assessment system to the unified requirements of the DnB NORD Group, the standards for assessing of market risk are constantly reviewed and developed within the whole DnB NORD Group.

**The liquidity risk** is the risk that the Issuer will fail to meet financial liabilities in due time and the risk to incur losses due to a sudden decrease in financial resources and due to the increase in the price of the new funding intended to replace them. The management of liquidity risk in the Issuer is divided into the Short-Term Liquidity Management and the Long-Term Liquidity Management. The short-term liquidity management is the management of liquidity in short period (up to 1 month), aiming to meet the daily need for funds, ensuring the compliance with the obligatory reserve requirements and the liquidity requirements set by the Bank of Lithuania as well as the compliance with the internal liquidity limits. Such liquidity management is based on the future cash flow analysis and planning. The long-term liquidity management is the management of liquidity based on the future cash flow analysis and forecasting for 1 year and compliance with the internal long-term liquidity limits. After the Issuer joined the DnB NORD Group, favourable possibilities have been created to attract funding at minimal costs. This has significantly reduced the Issuer's vulnerability to the liquidity risk. At the same time, the liquidity risk of the Issuer is controlled at the DnB NORD Group level and is restricted by the limits established by the Assets and Liabilities Committee.

On 8 March 2010, after evaluating the Issuer the international ratings agency Fitch Ratings affirmed the long-term Issuer's default rating A and improved the outlook from negative to stable. Fitch Ratings also affirmed the Issuer's short term default rating F1, the individual rating D/E and the support rating 1.

**The operating risk** is a risk to incur direct or indirect losses due to improper or ineffective internal processes, systems, technologies, personnel actions, and external factors such as criminal activity (money forgery, thefts, Internet crime), natural disasters (fire, flood, explosions), negative public opinion, etc.

According to the Issuer's estimations, probable losses due to the operating risk events would account for approximately 1% of total probable losses. The operating risk management is decentralized in the Issuer, i.e. the unit managers are responsible for the operating risk management in their respective units. The operating risk is managed in the Issuer by minimizing it, i.e. through insurance, implementation of the internal control measures, investment as well as transfer, i.e. buying services from third parties, and assuming it (in this case the specific provisions are made for the operating risk upon evaluation of the anticipated losses due to the operating risk events). The operating risk losses incurred are reported to the Issuer's management, the parent bank and the Supervisory Council of the Issuer on a regular basis.

The operating risk management and control system is based on the operating risk inventory, i.e. systematic review of the operating risk describing the operating risk scenarios, drawing up the operating risk map and performing evaluation in order to identify the most problematic fields in terms of the operating risk in the Issuer, i.e. those business lines, in

which the risk to incur losses is the highest. The Issuer also has a system for declaration of the operating risk losses on the overall scale of the Issuer, wherein all operating risk events are registered.

The Issuer dedicates much attention to ensuring the business continuity; the disaster management and business continuity plans as well as the procedures for restoring of IT services are in place and tested on a regular basis.

**The risk related to debt securities issued by the Issuer** - on 30 June 2010 the total amount of the par values of the debt securities issued by the Issuer was LTL 636,2 million, including LTL 287,0 million of equity linked notes. The total par value of notes issued and redeemed by the Issuer over the period from 30 June 2009 to 30 June 2010 amounted to LTL 144,6 million and LTL 468,5 million respectively.

The main risk related to the Issuer's debt securities is that on the date of the interest payment or redemption, the Issuer might default on its obligations to the holders of notes. The latter risk is related to the risk inherent in the Issuer's activity and value fluctuations of Financial Instruments in the stock markets (for notes linked to Financial Instruments). Since the Issuer's risk is under control, and the risk of fall of Financial Instruments for notes linked to Financial Instruments is hedged via options, at the moment there is no risk of failure to redeem notes.

**The legal supervision risk** – the institutions exercising the supervision of the Issuer's activities have extensive powers to impose restrictions on the Issuer's business, to establish the volume of the required reserves, to limit the exposure to a single borrower, to establish the capital adequacy, liquidity and other requirements. Any changes to such requirements may have a significant effect on the Issuer's or its competitors' activities.

Compliance of the Bank and the Financial Group\* with the prudential requirements in 2008, 2009, 1st half-year of 2010

	Requirements %	31 12 2008		31 12 2009		30 06 2010	
		Bank	Financial Group	Bank	Financial Group	Bank	Financial Group
Capital adequacy requirement	8**	11,61	11,74	11,41	11,67	11,44	11,88
Liquidity requirement	30	36,21	-	35,05	-	41,13	-
Open foreign currency position	25	0,74	0,74	0,62	0,62	0,61	0,61
Maximum exposure to a single borrower requirement	25	13,12	13,05	10,39	10,36	12,87	12,97
Large exposure requirement	800	89,19	34,89	79,57	20,62	96,15	33,65

\* The Financial Group consists of the Issuer and its subsidiaries –UAB DnB NORD lizingas and UAB DnB NORD investicijų valdymas.

\*\* From 30 September 2008 the capital adequacy requirement of minimum 10 percent was established for the Issuer, following the Bank of Lithuania Board Resolution No. 114 as of 24 July 2008 and the decision of the management board of the Bank of Lithuania No. 190 of 30 September 2009.

### 3.3. ISSUER'S INFORMATION

Issuer's legal and commercial name:	AB DnB NORD Bankas
Company code:	112029270
Date, venue and number of registration:	Registered with the Bank of Lithuania on 13 September 1993, Registration No 29
Registered address:	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Legal form:	Private Limited Company
Governing law:	Law of the Republic of Lithuania
Authorized capital:	LTL 656.665.410
Telephone number:	(+370 5) 239 34 44
Fax number:	(+370 5) 213 90 57
E-mail address:	<a href="mailto:info@dnbnord.lt">info@dnbnord.lt</a>
Website address:	<a href="http://www.dnbnord.lt">www.dnbnord.lt</a>

The material events of 2009 are described in Financial Statements for 2009 (part 10 of the Bank Group consolidated annual report of 2009). The following material events took place from the date of announcement of last data – 31 December 2009 until 30 June 2010:

On 2 February 2010 *AB DnB NORD bankas* announced that after account administrators executed the decision of Vilnius city 2 county court of 17 December 2009 regarding the passage of ownership of 4.371 shares of AB DnB NORD bankas to the buying out shareholder *Bank DnB NORD A/S*, on 1 February 2010 *Bank DnB NORD A/S* completed implementation of obligatory buy-out procedure of the shares of *AB DnB NORD bankas* and became the sole shareholders of *AB DnB NORD bankas*, holding 100 percent of shares and votes in *AB DnB NORD bankas*.

On 11 February 2010 *AB DnB NORD bankas* announced the preliminary unaudited activity results for 2009. It was announced, that in the unfavourable economic environment, which in 2009 featured a sudden recession of Lithuanian general domestic product and a significant increase in the number of company bankruptcies, which had a negative effect on the labour market and households' income, *AB DnB NORD bankas* earned LTL 253,3 million (EUR 73,4 million) of activity profit before taxes and provisions. As the risk of customers remains high, *AB DnB NORD bankas* continued the conservative evaluation of customer risk and formed LTL 684,7 million (EUR 198,3 million) of provisions during 2009. For this reason the 2009 financial result of *AB DnB NORD bankas* was net loss of LTL 382,6 million (EUR 110,8 million).

On 17 February 2010 *AB DnB NORD bankas* announced that in the extraordinary general shareholders meeting that took place on 17 February 2010 (hereinafter – the Meeting) all drafts of decisions were approved, i.e. it was decided to elect dr. Jekaterina Titarenko, Margrethe Melbye Gronn, Andris Ozoliņš and Cord Friedrich Konrad Meyer as members of the supervisory boards and to reduce the number of the members of the supervisory board from 8 to 7 by respectively changing point 7.1 chapter VII of the Articles of Association of the Bank.

It was decided that the newly elected members of the supervisory board of the Bank Margrethe Melbye Gronn, Andris Ozoliņš and Cord Friedrich Konrad Meyer will start in their positions after the permissions of the Lithuanian Bank for them to work in the management of the Bank are received.

In the supervisory council dr. Jekaterina Titarenko, Margrethe Melbye Gronn and Andris Ozoliņš are representatives of *Bank DnB NORD A/S* and Cord Friedrich Konrad Meyer represents NORD/LB bank.

Newly elected members of the supervisory council replaced Jarle Mortensen, Juergen Machalett and Andreas Fischelscher after they resigned from their positions.

On 25 February 2010 the unaudited interim abridged set of financial statements of *AB DnB NORD bankas* Group and of the Bank for 2009 was announced.

On 26 February 2010 it was announced that on 25 February 2010 the amended Articles of Association of *AB DnB NORD bankas*, stating that the number of members in the supervisory board of the Bank shall be seven, were registered in the Register of Legal Entities

Point 7.1 of the chapter VII of amended Articles of Association of the Bank state:

“7.1. The supervisory board of the Bank is a collegial supervisory body, performing supervision of the Bank’s activity. The board is presided by its president. The Board of the Bank, composed of 7 members, is elected by the Meeting. When electing the members of the Board, each shareholder has the number of votes equal to the product of the number of votes provided by the shares he owns and the number of members of the Board. Shareholders distribute those votes on their discretion – for one or several candidates. The candidates that collected more votes shall be elected. If there are more candidates with equal number of votes than there are free positions on the Board, a repeated voting shall be held, in which each shareholder may vote only for one of the candidates that have collected the equal number of votes. The Board is elected for a period of 4 years.”

Articles of Association of the Bank were amended by the decision of the sole shareholder *Bank DnB NORD A/S* of 17 February 2010.

It was announced on 9 March 2010 that on 8 March 2010 ratings agency “Fitch Ratings” changed long-term borrowing rating perspective of *AB DnB NORD bankas* from negative to stable and confirmed long-term borrowing rating A, short-term borrowing rating F1, individual rating D/E and support rating 1.

It was announced on 19 March 2010 that on 18 March 2010 the sole shareholder of *AB DnB NORD bankas*, *Bank DnB NORD A/S* decided:

1. to approve the consolidated annual report of the Bank for 2009;
2. to approve separate and consolidated financial statements of the Bank for 2009;
3. to approve the distribution of profit (loss) of the Bank. It was decided to designate LTL 208,3 million (EUR 60,3 million) from the reserve capital and obligatory reserve of the Bank to cover the loss. The remaining undistributed part of the loss, i.e. LTL 127,1 million (EUR 36,8 million) to shift to next financial year.
4. to appoint private limited company „Ernst & Young Baltic“ as the audit firm to audit annual financial statements for 2010 financial year and designate the president of the Bank to set the conditions for the agreement on provision of audit services in accordance with the remuneration approved by the shareholder.
5. to re-elect the Supervisory Board for a new term of four years:
  - 5.1. Thomas Stephan Buerkle;
  - 5.2. Jekaterina Titarenko;
  - 5.3. Margrethe Melbye Gronn;
  - 5.4. Andris Ozoliņš;
  - 5.5. Cord Friedrich Konrad Meyer;
  - 5.6. Torstein Hagen;
  - 5.7. Tony Samuelsen.

The new Supervisory board of the Bank in the meeting of 18 March 2010 elected Thomas Stephan Buerkle as the president of the Supervisory Council, and Tony Samuelsen as his deputy. The Supervisory Board also for the new term of 4 years re-elected the Management Board of the Bank, composed of 6 members, i.e. Werner Heinz

Schilli, dr. Vygintas Bubnys, Ramūnas Abazorius, Gundars Andžans, Fredrik Johannes Borch, Šarūnas Nedzinskas.

In the meeting of the Management Board of the Bank which took place on 18 March 2010, Werner Heinz Schilli was re-elected as the president of the management board and as the president of the Bank. Dr. Vygintas Bubnys was re-elected as the deputy of the president of the management board and dr. Vygintas Bubnys, Ramūnas Abazorius, Gundars Andžans, Fredrik Johannes Borch, Šarūnas Nedzinskas were appointed as deputies of the president of the Bank.

On 19 March 2010 *AB DnB NORD bankas* announced the set of financial statements for 2009, composed of the audited separate and consolidated financial statements of *AB DnB NORD bankas*, prepared in accordance with the International Financial Accounting Standards, and the consolidated annual report evaluated by the auditors.

These documents were approved by the decision of the sole shareholder of the Bank *Bank DnB NORD AS* of 18 March 2010. Due to reduced postponed tax property, which was amended after review of assumptions for its recognition, the approved LTL 402,6 million (EUR 116,6 million) net loss of the Bank in 2009 differed from the preliminary result announced on 11 February 2010 – LTL 382,6 million (EUR 110,8 million) net loss. The loss before taxes for 2009 of LTL 431,4 million (EUR 124,9 million) as approved by the shareholder did not differ from previously announced information.

On 30 March 2010 *AB DnB NORD bankas* announced that reserve capital of the Bank was increased by EUR 20 million (LTL 69 million) by the monetary contribution of the sole shareholder of the bank – *Bank DnB NORD A/S*. The money shall be used to further consistently strengthen the capital base of the Bank.

On 29 April 2010 it was announced that according to preliminary unaudited data during the first three months of 2010 *AB DnB NORD bankas* earned LTL 33,2 million (EUR 9,6 million) activity profit before taxes and provisions. Taking account of the situation in the country's internal consumption and labour market and having evaluated the fact that consequences of economic recession normally still keep influencing the quality of loan portfolio for some time, the bank continued conservative evaluation of customers and created LTL 86,3 million (EUR 25,0 million) of provisions during the first quarter of this year. This was the reason that the financial result of *AB DnB NORD bankas* for the first quarter of this year is net loss of LTL 53,1 million (EUR 15,4 million).

On 28 May 2010 the interim abridged set of financial statements of *AB DnB NORD bankas* group and the bank for the first quarter of 2010 was announced.

### **Essential events after 30 June 2010**

On 9 July 2010 it was announced that according to preliminary unaudited data during the first six months of 2010 *AB DnB NORD bankas* earned LTL 70,4 million (EUR 20,4 million) activity profit before taxes and provisions, however having regard to the impact of the still tense situation in the country's internal consumption and labour market on individual and business customers, the bank continued conservative evaluation of customer risk and during the first half year of this year created LTL 200,0 million (EUR 57,9 million) of provisions. For this reason the loss of *AB DnB NORD bankas* before taxes during the first six months of 2010 constituted LTL 129,6 million (EUR 37,5 million).

For comparison, during the first six months of 2009, after creating LTL 294,6 million (EUR 85,3 million) of provisions, the loss of *AB DnB NORD bankas* before taxes constituted LTL 165,6 million (EUR 47,96 million).

Extensive information about essential events, connected with the activity of the Issuer, is provided to the Securities Commission of Republic of Lithuania, Lithuanian Securities Depository, AB NASDAQ OMX Vilnius Stock exchange, Central Storage Facility, daily Lietuvos rytas, news agencies BNS and ELTA and is announced on the website of the Bank at [www.dnbNord.lt](http://www.dnbNord.lt) and at the Central Storage Facility at [www.crib.lt](http://www.crib.lt).



### 3.4. BUSINESS OVERVIEW

#### 3.4.1. *Main Activities*

The Issuer is a credit institution holding a license to engage and is engaged in taking of deposits and other repayable funds from non-professional market players and lending of funds, and assumes the risk and liability related thereto.

The Issuer provides the following financial services:

- 1) taking of deposits and other repayable funds;
- 2) lending (including mortgage loans);
- 3) money transfer;
- 4) issuing of payment cards and other means of payment and (or) execution of transactions with them;
- 5) financial lease (leasing);
- 6) issuing of financial sureties and financial guarantees;
- 7) trading, on its own account or on account of customers, in money market instruments (cheques, bills of exchange, certificates of deposits, etc.), foreign currency, financial futures and options, instruments to determine currency exchange rate and interest rate, public trading securities, precious metals;
- 8) investment services;
- 9) financial intermediation (agent activities);
- 10) cash handling;
- 11) provision of information and consultations on issues of credit and payment;
- 12) rent of safe deposit lockers;
- 13) currency exchange (cash);
- 14) safekeeping and administration of monetary funds;
- 15) 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;
- 16) provision of services related to issuing of securities;
- 17) issuing and maintenance of electronic money;
- 18) inter-settlements of credit institutions (clearing);
- 19) management of investment funds or open-end investment companies.

Information on performance results of the Bank as of 30 June 2010 is provided in Section 11 “Information on performance results” in the Interim Report and as of 31 December 2009 in Section 11 “Information on performance results” in the Annual Report of 2009.

#### 3.4.2. *Principal Markets*

The Issuer provides investment services in the Republic of Lithuania and competes directly with financial institutions active in the country. At the end of the first half of 2010 there were 9 commercial banks holding the licence of Lithuanian Bank and 10 affiliates of foreign banks: 8 branches and 2 representation offices of foreign banks active in Lithuania. Also, there were 68 credit unions and Lithuanian Central Credit Union active in Lithuania.

As it is also confirmed by the statistics provided by the Association of Lithuanian Banks, in 2009 and 1st half-year of 2010 the Issuer retained a strong position in the top 3 of the largest bank institutions of the country and remained the leader in the market for investment products. The Issuer also retained the highest reliability rating in the country's bank system.

On 26 October 2010 the aggregate value of debt securities issued by the Bank and still valid constituted LTL 396,7 million, out of which LTL 309,2 million accounted for the par value of notes linked to stock market indexes and prices of commodities.

In 2010 the Bank was provided with the exclusive right to be one of the leading organizers for the issue of seven-year notes of the Government of the Republic of Lithuania, denominated in Euros (ISIN code – LT1000600270) and the administrator of the book of applications.

The property (assets) of active banks of the country, according to the financial statements provided by banks for 1 July 2010 constituted LTL 82,8 billion and during the year decreased by 3,5 percent (during 2009 decreased by 6,1 percent).

The sum of loans provided to customers constituted LTL 59,5 billion and, compared to the respective period of 2009, decreased by 10,9 percent (during 2009 the sum of loans provided by customers fell by 13,8 percent), while the sum of deposits grew by 12,3 percent to LTL 43,0 billion (during 2009 grew by 7,4 percent).

### Activities of Banks

According to the data of the financial statements as of 1 July 2010 submitted by the operating banks the banking assets comprised LTL 82,8 billion and decreased by 1,7 percent during the first half-year of 2010. According to the data of the Association of Lithuanian Banks, the Bank's share in the banking assets constitutes 14,13 percent. In the first half of the year the market share of the Bank fell by 0,08 percentage points. Loans to customers in the whole bank system fell by LTL 2,1 billion, or 3,5 percent and constituted LTL 59,5 billion. The Issuer's share in the loan market accounted for 16,16 percent and decreased by 0,76 percentage points, compared to the beginning of this year. As of 1 July 2010 deposits held in banks amounted to LTL 43 billion (that is the largest amount of deposits ever held in the country's bank sector) – over the half-year the amount increased by LTL 1,9 billion or 4,6 percent, the deposit market share held by the Bank reached 12,39 percent as of 1 July 2010 and since the beginning of the year grew by 3,3 percentage points.

### Dynamics of certain asset and liability items of the banking system

LTL million

No.	Balance sheet item	Sum 01 07 2009	Sum 01 01 2010	Sum 01 07 2010	Change in 1 <sup>st</sup> half, percent
1	Assets	85.877,2	84.239,6	82.831,8	-1,7
2	Debt securities	6.902,9	7.760,3	7.976,5	2,8
3	Loans to customers	66.706,3	61.557,5	59.465,8	-3,4
3.1	Of which – to individual enterprises	34.575,3	31.097,3	29.256,6	-5,9
3.2	Of which – to financial institutions	2.481,6	1.944,7	2.575,7	32,5
3.3	Of which – to private individuals	27.733,8	26.939,7	26.009,7	-3,5
3.3.1	Of which – mortgage loans	20.554,0	20.341,3	20.090,6	-1,2
4	Impairment of loans	2.034,1	4.747,4	5.100,0	7,4
4.1	Loan value impaired/loans granted, percent	3,0	7,16	7,9	-
5	Deposits and L/C	38.315,6	41.072,5	43.026,0	4,8
6	Shareholder equity	6.251,9	4.992,3	5.622,3	12,6
7	Current year's profit	-628,2	-2.979,1	-408,1	-

In the first half of the year the proportion of loans in assets declined by 1,3 percentage points down to 71,8 percent.

In 2010 with the further contracting business volumes in the banking system the relative weight of liabilities to banks (including parent banks) kept decreasing, whereas the relative weight of deposits kept increasing in all market shares.

Overall liabilities to parent banks or other banks within the same group of controlling bank (including subordinated loans) decreased by LTL 4,3 billion since the start of 2010. As the indebtedness to foreign banks continues to decrease, so also decreased the dependence of Lithuanian bank system on financing from abroad – funds received from non-residents on 1 July 2010 constituted 43,3 percent of all liabilities of bank system (fell by 2,9 percentage point during half-year).

Since the start of the year the amount of deposits kept in banks rose by LTL 381,5 million, while those denominated in currency grew by LTL 1,57 billion.

## **Loan Portfolio of Banks**

As it was mentioned, in the first half of 2010 the loan portfolio contracted by LTL 2,1 billion (3,4 percent), the Bank's share in the loan market decreased by 0.76 percentage points. The fall in the loan portfolio was largely determined by the higher inflow of returned loans and devaluation of loans.

It is likely that since number of signs indicating the recovery of economics increases, issuing of credits should get more active. This can also be deducted from loan liabilities, indicating the changes in the loan portfolio in the future: compared to the start of 2010, they were LTL 360,6 million (5,4 percent) larger.

In the first half-year of 2010 small difference remained between VILIBOR and EURIBOR interest rates (interest rates for loans in Litas were quite similar to interest rates for loans in Euros), therefore there were less incentives for business and residents to borrow in Euros, as compared to last year. Nevertheless, though slower than in 2009 and 2010, loans in Litas continue decreasing at a faster rate than loans in Euros, therefore their ratio in the loan portfolio is decreasing. In the first half-year of 2010 the amount of loans in Litas decreased by 2,5 percentage point.

In 2010 the quality state of loan portfolio is not getting worse as significantly as last year. This can be seen from indicators describing the quality of loan portfolio, which are getting more stable. During first half-year of 2010 the ratio of special provisions for loans compared to the loan portfolio increased by 0,74 percentage points up to 7,9 percent. The ratio of impaired loans as compared to the loan portfolio increased by 0,58 percentage points and according to the data of 1 July 2010 constituted 16,35 percent. The ratio of loans overdue more than 60 days and the loan portfolio during half-a-year decreased by 0,27 percentage points and constituted 3,26 percentage. The indicator of inactive loans during half-a-year increased by 0,31 percentage point and constituted 19,61 percent.

According to the data of 1 July 2010, the banks without infringing the capital adequacy requirement were capable to absorb LTL 2,3 billion of credit risk loss, or could increase the assets evaluated according to the risks by LTL 23,1 billion.

## **Compliance with the Prudential Requirements**

In the second quarter of 2010 the liquidity indicator almost did not change and according to the data of 1 July 2010 constituted 44,3 percent. This exceeded the minimum established by the Lithuanian Bank (30 percent) by more than 14 percent.

In the second quarter of 2010 after decrease (LTL 206 million) of bank system capital base and rise of the need for capital to amortize the risks, the capital adequacy indicator during half-a-year decreased by 0,5 percentage point and on 1 July 2010 constituted 14,49 percent. The capital designated to amortize the credit risk constituted the largest part of capital demand and reached LTL 4.215 million, which constituted 85,2 percent of the capital demand in the bank system.

All banks met the prudential ratios set by the Bank of Lithuania.

## **Shareholder Equity**

The shareholder equity of banks in the first half of 2010 increased by LTL 151 million, or 2,8 percent and on 1 July 2010 reached LTL 5.624,2 million. The increase of shareholder equity was primarily caused by additional shareholder contributions of the first quarter of the year.

The Lithuanian banking system, the same as previously, was dominated by Scandinavian capital. The proportion of authorized capital controlled by non-residents accounted for 88,6 percent of the authorized capital on 1 July 2010.

## **Profitability and Operating Efficiency**

The country's banking system in 2010 continues to operate at loss, however certain positive trends can already be noticed – the aggregate loss of the banks of the country as compared to the respective period in last year was 35 percent smaller and reached LTL 40,1 million (there was the LTL 628,2 million loss in the first half-year of last year). 3 banks and 4 units of foreign banks operated at a profit during first half-year of this year.

Though observation of separate quarters indicates, that the main income source of banks – net interest income – grew for already third quarter in a row, however net interest income for first half-year compared to the respective period of last year, remained smaller by LTL 236 million, or 37,7 percent.

During the last half-year as compared to first half-year of 2009, banks earned LTL 48,8 million more from operations in foreign currency and received LTL 39,9 million more income from subsidiaries. Operating

expenses, for limiting of which majority of banks last year devoted especially great attention in order to increase efficiency, during the first half-year of this year as compared to the first half-year of last year decreased insignificantly – by LTL 6 million, or 1,1 percent, and when comparing operating expenses of the second quarter of this year to the results of the first quarter an insignificant rise can be seen.

Since during the first half-year of 2010 banks suffered losses, the indicators of return on assets and return on equity for the bank system remain negative also in this year.

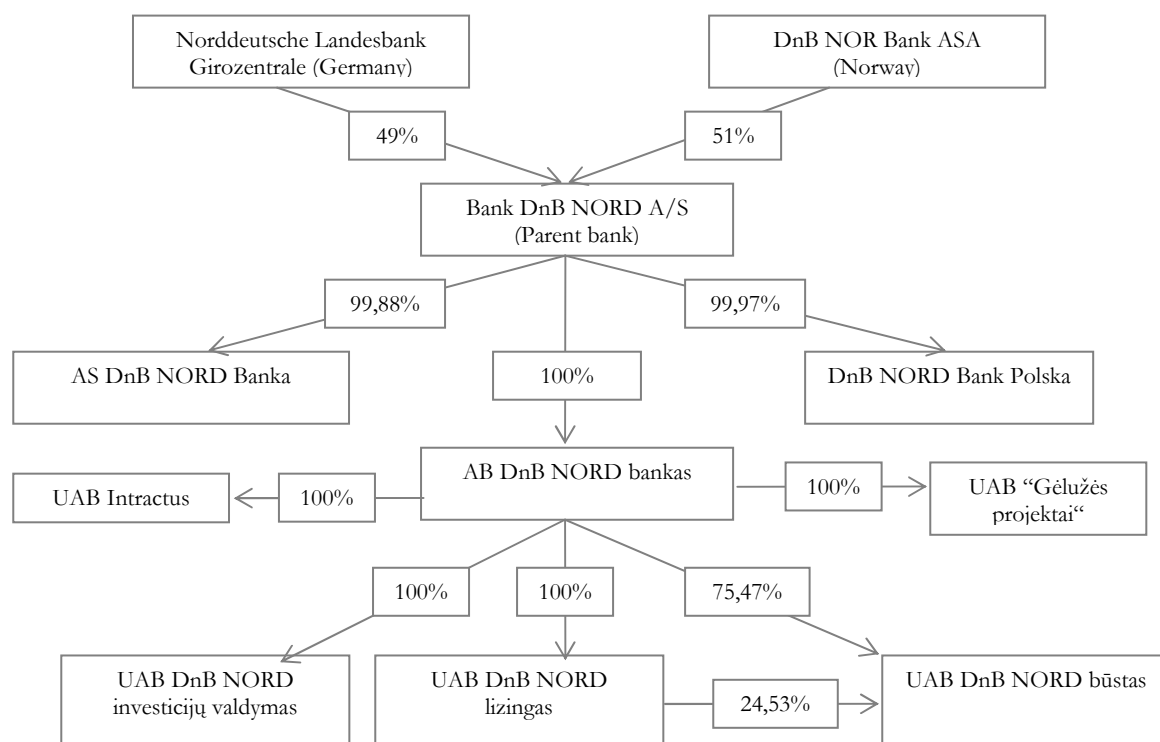
### 3.5. ORGANIZATION STRUCTURE

The Issuer is a member of the group of Bank DnB NORD A/S registered in Denmark (hereinafter referred to as the “DnB NORD Group” or the “Group”).

DnB NORD Group was established in the course of the implementation of the agreement of June 2005 concluded between then the largest shareholder of the Issuer NORD/LB, which controlled 93,11 percent of the Issuer’s authorized capital, and the largest Norwegian financial service group DnB NOR. The capital of the parent bank is formed on the basis of the infrastructure and customers of NORD/LB in Poland, Latvia, Lithuania, Estonia, Finland and Denmark, and the financial contribution of DnB NOR Bank ASA. Upon closure of the transaction, the share of NORD/LB in the parent bank accounts for 49%, and that of DnB NOR – for 51% of the authorized capital and votes in the general meeting of shareholders. On 2 August 2010 an indirect shareholder of AB DnB NORD bankas, the Norwegian bank DnB NOR Bank ASA (DnB NOR) distributed an announcement that it made use of the right provided in the shareholders agreement to acquire the part of ownership of Norddeutsche Landesbank Girozentrale (NORD/LB) in Bank DnB NORD A/S.

On 30 June 2010 the Issuer owned 5 subsidiaries in the Republic of Lithuania: UAB DnB NORD investicijų valdymas, engaged in the investment and pension fund management, UAB DnB NORD lizingas, engaged in the financial leasing of transport, equipment and real estate and having a representative office in Kaliningrad Region of the Russian Federation, UAB DnB NORD būstas, rendering intermediary services in the real estate market, UAB Intractus, engaged in effective management of real estate taken over for the loans to Bank, and UAB Gėlužės projektai, acquired by the Bank on 3 June 2010 with aim of effective management of indebtedness, securing the interests of the Banks, as the creditor (in the Base Prospectus the Issuer and all 5 subsidiaries altogether are referred to as the “Group”). The Issuer controls 100% of shares in all of the companies, except UAB DnB NORD būstas, where the Issuer controls directly 75,47 % of shares and indirectly via UAB DnB NORD lizingas controls 24,53 % of shares. For further information on UAB DnB NORD investicijų valdymas, UAB DnB NORD lizingas, UAB DnB NORD būstas and UAB Intractus please refer to Section 12 of the Annual Report for 2009.

#### Organizational structure of the DnB NORD Group and the Group



### 3.6. INFORMATION ON TREND

No essential negative changes to the perspectives of the Issuer have occurred since the announcement of the last audited financial statements.

### 3.7. PROFIT FORECASTS OR PRELIMINARY PROFIT

The Issuer has chosen not to include its profit forecasts and/or preliminary profit in the Prospectus, since there is no report on the profit forecast or preliminary profit prepared by independent accountants or auditors.

### 3.8. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The supervisory council of the Issuer consists of 7 members elected for a 4-year term of office:

<i>Name, surname</i>	<i>Function in the Issuer's company</i>	<i>Address of employment</i>	<i>Main activities outside the Issuer</i>	<i>Office start date</i>	<i>Office expiry date</i>
Thomas Stephan Buerkle	Supervisory Council Chairman	Amerikakaj Dampfærgevej 28 2100 Copenhagen Denmark	Bank DnB NORD/AS, Chief Executive Officer	18 03 2010	18 03 2014
Torstein Hagen	Supervisory Council Member, Vice Chairman of the Supervisory Council	Amerikakaj Dampfærgevej 28 2100 Copenhagen Denmark	Bank DnB NORD/AS, Chief Executive Officer	18 03 2010	18 03 2014
Tony Samuelsen	Supervisory Council Member	DnB NOR Bank ASA, NO-0021 Oslo Norway	DnB NOR Vice President	18 03 2010	18 03 2014
Cord Friedrich Konrad Meyer	Supervisory Council Member	Friedrichswall 10 30151 Hannover Germany	NORD/LB, Group expansion department	18 03 2010	18 03 2014
Andris Ozoliņš	Supervisory Council Member	Skanstes iela 12, LV-1013 Ryga, Latvia	Bank DnB NORD/AS, Chief Sales Officer	18 03 2010	18 03 2014
Jekaterina Titarenko	Supervisory Council Member	Amerikakaj Dampfærgevej 28 2100 Copenhagen Denmark	Bank DnB NORD/AS, Chief Financial Officer	18 03 2010	18 03 2014
Margrethe Melbye Gronn	Supervisory Council Member	Amerikakaj Dampfærgevej 28 2100 Copenhagen Denmark	Bank DnB NORD/AS, Chief Operations Officer	18 03 2010	18 03 2014

The management board of the Issuer consists of 6 members elected for a 4-year term of office:

<i>Name, surname</i>	<i>Function in the Issuer company</i>	<i>Address of employment</i>	<i>Main activities outside the Issuer</i>	<i>Office start date</i>	<i>Office expiry date</i>
Werner Heinz Schilli <sup>2</sup>	Chairman of the Management Board, President	J. Basanavičius g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities	18 03 2010	18 03 2014
Dr Vygintas Bubnys	Vice Chairman of	J. Basanavičius g. 26	Irrelevant to the	18 03 2010	18 03 2014

<sup>2</sup> The president and the chairman of the management board of the Bank Werner Heinz Schilli as of 1 November 2010 will take up a new position in NORD/LB. Dr. Vygintas Bubnys was elected to take up the position of the president and the chairman of the management board of the Bank as of 1 November 2010.

	the Management Board - Vice President	LT-03601 Vilnius Lithuania	Issuer's activities		
Gundars Andžans	Member of the Management Board - Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities	18 03 2010	18 03 2014
Fredrik Johannes Borch	Member of the Management Board - Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities	18 03 2010	18 03 2014
Ramūnas Abazorius	Member of the Management Board - Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities	18 03 2010	18 03 2014
Šarūnas Nedzinskas*	Member of the Management Board - Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities	18 03 2010	18 03 2014

The Executive Officers of the Issuer:

<i>Name, surname</i>	<i>Function in the Issuer company</i>	<i>Address of employment</i>	<i>Main activities outside the Issuer</i>
Werner Heinz Schilli <sup>3</sup>	President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities
Dr Vygintas Bubnys	Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities
Fredrik Johannes Borch	Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities
Ramūnas Abazorius	Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities
Gundars Andžans	Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities
Šarūnas Nedzinskas	Vice President	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities
Jurgita Šaučiūnienė	Chief Financier – Head of Accounting Department	J. Basanavičiaus g. 26 LT-03601 Vilnius Lithuania	Irrelevant to the Issuer's activities

Members of the Issuer's administrative, management and supervisory bodies do not have conflicts of interests related to the functions within the Issuer's company and their private interests and (or) other duties.

The Issuer has not concluded any transactions with the above-mentioned persons that would not be intrinsic to its core business.

<sup>3</sup> The president and the chairman of the management board of the Bank Werner Heinz Schilli as of 1 November 2010 will take up a new position in NORD/LB. Dr. Vygintas Bubnys was elected to take up the position of the president and the chairman of the management board of the Bank as of 1 November 2010.

### 3.9. MAJOR SHAREHOLDERS

On 30 June 2010 *AB DnB NORD bankas* had 1 shareholder.

The shareholder of the Bank on 30 June 2010 owned 100 percent of the authorized capital of LTL 656.665.410:

Shareholder	Registered address	Type of company	Company code	Number of ordinary registered shares	% of share of capital and votes	
					Held by title	Held together with affiliated parties
Bank DnB NORD A/S	Dampfaergevej 28, 2100 Copenhagen Denmark	bank	28691947	5.710.134	100,00	100,00

The laws as well as the Issuer's Articles of Association ensure the right of each shareholder to participate in the Issuer's General Meeting of Shareholders and to vote on the issues on the agenda of such meeting. Furthermore, the compliance of the Issuer's business with the legal acts is under the supervision by the Bank of Lithuania, the Securities Commission of the Republic of Lithuania and other national authorities.

The Issuer does not know about the agreements, due to which the shareholder controlling the Issuer may change. The Issuer is informed that on 2 August 2010 indirect shareholder of AB DnB NORD bankas, Norwegian bank DnB NOR Bank ASA (DnB NOR) distributed an announcement that it made use of the right provided in the shareholders agreement to acquire the part of ownership of Norddeutsche Landesbank Girozentrale (NORD/LB) in Bank DnB NORD A/S. After implementation of the afore-mentioned right, DnB NOR would become the sole shareholder of Bank DnB NORD A/S, indirectly controlling 100 percent of the shares of the Issuer.



### 3.10. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFIT AND LOSSES

#### 3.10.1. Historical Financial Information

The Issuer's historical Financial Statements for 2008 and Financial Statements for 2009 were drawn up in accordance with the International Financial Reporting Standards (IFRS) and approved by the auditors and the General Meeting of Shareholders.

Detailed explanations of financial statements are provided in separate documents – Financial Statements for 2009 and Financial Statements for 2008, which are incorporated into this Base Prospectus by reference and which are an inseparable part of this Base Prospectus. The Financial Statements for 2009 and the Financial Statements for 2008 may be inspected, and free copies thereof are available at the Bank's Markets Department, at the address J. Basanavičiaus str. 26, Vilnius, Lithuania, from 8:00 till 16:30 on working days (till 16:30 on Fridays), and on the Bank's website at [www.dnbNord.lt](http://www.dnbNord.lt) and on the website of the Central Storage Facility at [www.crib.lt](http://www.crib.lt). Contact telephone numbers: (+370 5) 239 3055, (+370 5) 239 3516.

#### The Group and Bank Statement of Financial Positions, in thousands LTL

	Group		Bank	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
<b>ASSETS</b>				
Cash and balances with central banks	368 197	484 359	368 197	484 355
Due from banks	330 242	203 480	330 242	202 434
Trading securities	74 032	58 807	74 032	58 807
Debt securities designated at fair value	231 026	295 944	231 026	295 944
Derivative financial instruments	64 043	40 696	64 043	40 696
Securities available-for-sale	393 756	609 034	388 733	606 270
Loans and advances to customers	10 064 040	11 179 610	10 311 546	11 260 940
Finance lease receivables	501 731	901 735	-	-
Investments in subsidiaries	-	-	10 664	8 900
Property, plant and equipment	116 313	136 683	107 941	120 519
Investment assets	754	-	-	-
Intangible assets	10 199	7 977	9 886	7 415
Deferred tax assets	30 457	2 872	30 445	2 235
Other assets	123 968	36 453	13 559	12 998
<b>Total assets</b>	<b>12 308 758</b>	<b>13 957 650</b>	<b>11 940 314</b>	<b>13 101 513</b>
<b>LIABILITIES AND SHAREHOLDER EQUITY</b>				
Due to banks	6 763 317	7 498 090	6 261 710	6 606 993
Derivative financial instruments	72 624	50 221	72 624	50 221
Due to customers	3 405 248	3 821 532	3 412 827	3 858 697
Debt securities in issue	814 045	1 179 048	814 045	1 179 048
Current income tax liabilities	307	9 634	-	9 349
Subordinated loans	403 540	405 387	403 540	405 387
Provisions	809	430	107 569	11 926
Other liabilities	43 067	49 954	57 409	35 603
<b>Total liabilities</b>	<b>11 502 957</b>	<b>13 014 296</b>	<b>11 129 724</b>	<b>12 157 224</b>
<b>Equity of shareholders of parent company</b>				
Share capital	939 594	868 217	939 594	868 217
Retained earnings	(340 505)	69 988	(335 425)	70 737
Reserves	206 712	5 149	206 421	5 335
	805 801	943 354	810 590	944 289
<b>Total shareholders' equity</b>	<b>805 801</b>	<b>943 354</b>	<b>810 590</b>	<b>944 289</b>
<b>Total liabilities and equity</b>	<b>12 308 758</b>	<b>13 957 650</b>	<b>11 940 314</b>	<b>13 101 513</b>

#### Note

Consolidated using the full consolidation method:

UAB DnB NORD lizingas as of 31.12.2008, 31.12.2009.

UAB DnB NORD investicijų valdymas as of 31.12.2008, 31.12.2009.

UAB DnB NORD būstas as of 31.12.2008, 31.12.2009.  
UAB Intractus – 31.12.2009 (subsidiary established on 05 08 2009).

## The Group and Bank Income (Expense) Statement, in thousands LTL

	Group		Bank	
	2009	2008	2009	2008
Interest income	648 289	817 257	615 232	759 284
Interest expense	(371 964)	(508 710)	(350 619)	(465 249)
<b>Net interest income</b>	<b>276 325</b>	<b>308 547</b>	<b>264 613</b>	<b>294 035</b>
Fee and commission income	74 787	85 974	73 917	81 975
Fee and commission expense	(16 422)	(17 454)	(16 146)	(17 275)
<b>Net interest, fee and commission income</b>	<b>334 690</b>	<b>377 067</b>	<b>322 384</b>	<b>358 735</b>
Net gain (loss) on operations with securities and derivative financial instruments	89 227	(2 922)	90 390	(2 454)
Net foreign currency result	8 247	9 953	8 369	9 190
Impairment losses and provisions	(681 681)	(99 894)	(684 746)	(95 152)
Other income	12 163	7 267	10 251	6 642
Personnel expenses	(83 430)	(97 923)	(81 087)	(92 248)
Depreciation and amortisation	(20 620)	(19 122)	(17 080)	(14 227)
Other administrative expenses	(93 141)	(91 564)	(79 889)	(86 660)
<b>Profit before taxes</b>	<b>(434 545)</b>	<b>82 862</b>	<b>(431 408)</b>	<b>83 826</b>
Income tax	27 672	(13 455)	28 779	(13 089)
<b>Net profit for the period</b>	<b>(406 873)</b>	<b>69 407</b>	<b>(402 629)</b>	<b>70 737</b>
<b>Profit (loss) attributable to:</b>				
Equity holders of the parent	<b>(406 873)</b>	<b>69 407</b>	<b>(402 629)</b>	<b>70 737</b>
<b>Earnings per share (in LTL per share)</b>				
Per share	(76,07)	17,86		
Per share with potential shares	(76,07)	17,86		

### Note

#### Consolidated using the full consolidation method:

UAB DnB NORD lizingas as of 31.12.2008, 31.12.2009.

UAB DnB NORD investicijų valdymas as of 31.12.2008, 31.12.2009.

UAB DnB NORD būstas as of 31.12.2008, 31.12.2009.

UAB Intractus – 31.12.2009 (subsidiary established on 05 08 2009).

## Group and Bank Cash Flow Statement, in thousands LTL

	<b>Group</b>		<b>Bank</b>	
<b>Operating activities</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Interest receipt	588 594	735 248	554 002	678 097
Interest payments	(341 642)	(441 827)	(308 627)	(397 894)
Collected previously written-off loans	2 803	3 277	2 803	3 277
Receipts from foreign currency trading	64 396	17 740	64 396	17 740
Net receipt from operations in securities	15 790	7 202	15 754	7 183
Fee and commission receipt	74 787	85 974	73 917	81 977
Fee and commission payments	(16 422)	(17 454)	(16 146)	(17 275)
Salaries and related payments	(88 589)	(111 387)	(86 270)	(105 712)
Other payments	(80 972)	(84 297)	(69 638)	(80 018)
Net cash flow from operating activities before changes in operating assets and liabilities	<b>218 745</b>	<b>194 476</b>	<b>230 191</b>	<b>187 375</b>
(Increase) decrease in operating assets:				
(Increase) decrease in loans to credit and financial institutions	11 606	217 974	(154 858)	196 679
(Increase) in loans granted	540 515	(2 475 206)	540 496	(2 475 083)
(Purchase) of trading securities	(1 706 930)	(185 073)	(1 706 930)	(185 073)
Proceeds from trading securities	1 695 475	127 741	1 695 475	127 741
(Increase) decrease in other short-term assets	172 866	(143 870)	(28 768)	(7 635)
Change in operating assets	<b>713 532</b>	<b>(2 458 434)</b>	<b>345 415</b>	<b>(2 343 371)</b>
Increase (decrease) in liabilities:				
Increase (decrease) in liabilities to credit and financial institutions	(324 847)	2 421 014	(354 058)	2 443 255
Increase (decrease) in deposits	(427 718)	(423 502)	(427 998)	(423 113)
Increase (decrease) in other liabilities	(1 362)	(10 656)	8 335	(938)
Change in liabilities	<b>(753 927)</b>	<b>1 986 856</b>	<b>(773 721)</b>	<b>2 019 204</b>
<b>Income tax paid</b>	<b>(8 827)</b>	<b>(22 441)</b>	<b>(8 543)</b>	<b>(21 991)</b>
<b>Net cash flow from (to) operating activities</b>	<b>169 523</b>	<b>(299 543)</b>	<b>(206 658)</b>	<b>(158 783)</b>
<b>Investing activities</b>				
Acquisition of property, plant, equipment and intangible assets	(7 455)	(16 983)	(7 362)	(12 933)
Disposal of property, plant, equipment and intangible assets	4 206	6 594	184	960
Purchase of securities for sale	(5 871)	(13 498)	(1 927)	(10 423)
Proceeds from securities for sale	228 921	123 876	225 989	122 876
Purchase of securities designated at fair value	(254 176)	(292 121)	(254 176)	(292 121)
Proceeds from securities designated at fair value	318 804	2 942	318 804	2 942
Dividends received	10	6	1 209	493
Interest received	40 559	34 688	40 296	34 631
Investment in subsidiaries (acquired)	-	-	(1 764)	(20 071)
<b>Net cash flow to investing activities</b>	<b>324 998</b>	<b>(154 496)</b>	<b>321 253</b>	<b>(173 646)</b>
<b>Financing activities</b>				
Redemption of own debt securities	(816 501)	(1 319 257)	(816 501)	(1 319 257)
Issue of own debt securities	467 794	1 438 855	467 794	1 438 855

Increase in share capital	71 377	146 267	71 377	146 267
Increase in reserve capital	189 904	-	189 904	-
Received subordinated loans	-	141 565	-	141 565
Interest paid	(51 800)	(57 612)	(51 800)	(57 612)
Received loans	24 170	224 432	-	-
Repaid loans	(403 978)	(103 584)	-	-
<b>Net cash flow from financing activities</b>	<b>(519 034)</b>	<b>470 666</b>	<b>(139 226)</b>	<b>349 818</b>
<b>Net increase in cash and cash equivalents</b>	<b>(24 513)</b>	<b>16 627</b>	<b>(24 631)</b>	<b>17 389</b>
<b>Net foreign currency difference</b>	<b>(205)</b>	<b>358</b>	<b>(83)</b>	<b>(405)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>551 957</b>	<b>534 972</b>	<b>551 953</b>	<b>534 969</b>
<b>Cash and cash equivalents on 31 December</b>	<b>527 239</b>	<b>551 957</b>	<b>527 239</b>	<b>551 953</b>

### Group Statement of Changes in Shareholders' Equity, in thousands LTL

	Registered capital	Issue difference	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	In total
<b>On 31 December 2007</b>	<b>363 692</b>	<b>205 747</b>	<b>(5 876)</b>	<b>7 044</b>	<b>863</b>	<b>161 166</b>	<b>732 636</b>
In total recognized income and expenses	-	-	(4 956)	-	-	69 407	64 451
Transfers of totally depreciated long-term property revaluation reserve	-	-	-	-	(21)	21	-
Increase of share capital (by issuing ordinary registered shares from the funds of the Bank)	181 846	(29 335)	-	-	-	(152 511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45 461	100 806	-	-	-	-	146 267
Transfers to mandatory reserve	-	-	-	8 095	-	(8 095)	-
<b>On 31 December 2008</b>	<b>590 999</b>	<b>277 218</b>	<b>(10 832)</b>	<b>15 139</b>	<b>842</b>	<b>69 988</b>	<b>943 354</b>
In total recognized income and expenses	-	-	8 039	-	-	(406 873)	(398 834)
Transfers of totally depreciated long-term property revaluation reserve	-	-	-	-	(4)	4	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	65 666	5 711	-	-	-	-	71 377
Increase of (reserve) capital (from additional contributions of shareholders)	-	-	-	-	189 904	-	189 904
Transfers to mandatory reserve	-	-	-	3 624	-	(3 624)	-
<b>On 31 December 2009</b>	<b>656 665</b>	<b>282 929</b>	<b>(2 793)</b>	<b>18 763</b>	<b>190 742</b>	<b>(340 505)</b>	<b>805 801</b>

## Bank Statement of Changes in Shareholders' Equity, in thousands LTL

	Registered capital	Issue difference	Financial assets revaluation reserve	Mandatory reserve	Other reserves	Retained earnings	In total
<b>On 31 December 2007</b>	<b>363 692</b>	<b>205 747</b>	<b>(5 840)</b>	<b>6 849</b>	<b>863</b>	<b>160 517</b>	<b>731 828</b>
In total recognized income and expenses	-	-	(4 543)	-	-	70 737	66 194
Transfers of totally depreciated long-term property revaluation reserve	-	-	-	-	(21)	21	-
Increase of share capital (by issuing ordinary registered shares from the funds of the Bank)	181 846	(29 335)	-	-	-	(152 511)	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	45 461	100 806	-	-	-	-	146 267
Transfers to mandatory reserve	-	-	-	8 027	-	(8 027)	-
<b>On 31 December 2008</b>	<b>590 999</b>	<b>277 218</b>	<b>(10 383)</b>	<b>14 876</b>	<b>842</b>	<b>70 737</b>	<b>944 289</b>
In total recognized income and expenses	-	-	7 649	-	-	(402 629)	(394 980)
Transfers of totally depreciated long-term property revaluation reserve	-	-	-	-	(4)	4	-
Increase of share capital (by issuing ordinary registered shares by additional contributions of shareholders)	65 666	5 711	-	-	-	-	71 377
Increase of (reserve) capital (from additional contributions of shareholders)					189 904		189 904
Transfers to mandatory reserve	-	-	-	3 537	-	(3 537)	-
<b>On 31 December 2009</b>	<b>656 665</b>	<b>282 929</b>	<b>(2 734)</b>	<b>18 413</b>	<b>190 742</b>	<b>(335 425)</b>	<b>810 590</b>

### 3.10.2. Age of the Latest Financial Information

The latest audited financial information was drawn up for the year ended on 31 December 2009. The latest interim financial information was drawn up for the period ended on 30 June 2010.

### 3.10.3. Interim Financial Information

The Issuer publishes interim financial statements drawn up in accordance with the International Financial Reporting Standards on a quarterly basis (IFAS). The above interim consolidated financial statements for the first half of 2009 are unaudited.

## Interim Abridged Statement of Financial Positions for the Group and the Bank, in thousands LTL

	Group		Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
<b>ASSETS</b>				
Cash and balances with central banks	454 424	368 197	454 424	368 197
Due from banks	570 348	330 242	570 348	330 242
Trading securities	74 111	74 032	74 111	74 032
Securities designated at fair value	450 734	231 026	450 734	231 026
Derivative financial instruments	47 078	64 043	47 078	64 043
Securities available-for-sale	339 443	393 756	334 474	388 733
Loans and advances to customers	9 161 468	10 064 040	9 560 701	10 311 546
Finance lease receivables	394 169	501 731	-	-
Investments in subsidiaries	-	-	10 664	10 664
Property, plant and equipment	106 243	116 313	101 797	107 941
Investment assets	404	754	-	-
Intangible assets	9 355	10 199	9 181	9 886
Deferred income tax asset	30 188	30 457	30 188	30 445
Other assets	126 072	123 968	13 160	13 559
<b>Total assets</b>	<b>11 764 037</b>	<b>12 308 758</b>	<b>11 656 860</b>	<b>11 940 314</b>
<b>LIABILITIES AND SHAREHOLDERS</b>				
<b>EQUITY</b>				
Due to banks	5 962 652	6 763 317	5 702 568	6 261 710
Derivative financial instruments	88 899	72 624	88 899	72 624
Due to customers	4 066 989	3 405 248	4 070 059	3 412 827
Debt securities in issue	469 669	814 045	469 669	814 045
Deferred tax liability	1	-	-	-
Current income tax liability	358	307	-	-
Subordinated loans	403 470	403 540	403 470	403 540
Provisions	1 420	809	122 607	107 569
Other liabilities	38 253	43 067	50 506	57 409
<b>Total liabilities</b>	<b>11 031 711</b>	<b>11 502 957</b>	<b>10 907 778</b>	<b>11 129 724</b>
<b>Equity attributable to owners of the parent</b>				
Share capital	939 594	939 594	939 594	939 594
Retained earnings	(273 643)	(340 505)	(256 723)	(335 425)
Reserves	66 375	206 712	66 211	206 421
	<b>732 326</b>	<b>805 801</b>	<b>749 082</b>	<b>810 590</b>
<b>Total shareholders' equity</b>	<b>732 326</b>	<b>805 801</b>	<b>749 082</b>	<b>810 590</b>
<b>Total liabilities and equity</b>	<b>11 764 037</b>	<b>12 308 758</b>	<b>11 656 860</b>	<b>11 940 314</b>

### Note

#### Consolidated using the full consolidation method:

UAB DnB NORD lizingas as of 30.06.2010, 31.12.2009.

UAB DnB NORD investicijų valdymas as of 30.06.2010, 31.12.2009.

UAB DnB NORD būstas as of 30.06.2010, 31.12.2009.

UAB Intractus – 31.12.2009 (subsidiary established on 05 08 2009),

UAB Gėlužės projektai – 30.06.2010 (subsidiary bought in June 2010).

## Summary of Interim Income (Expense) Statement of the Group and the Bank, in thousands LTL

	Group		Bank		Group		Bank	
	2010 2nd quarter	2009 2nd quarter	2010 2nd quarter	2009 2nd quarter	2010 1st half-year	2009 1st half-year	2010 1st half-year	2009 1st half-year
Interest income	119 488	167 171	116 890	157 823	237 648	366 656	232 002	344 312
Interest expense	(53 241)	(97 377)	(50 924)	(91 127)	(115 759)	(218 376)	(111 610)	(203 160)
<b>Net interest income</b>	<b>66 247</b>	<b>69 794</b>	<b>65 966</b>	<b>66 696</b>	<b>121 889</b>	<b>148 280</b>	<b>120 392</b>	<b>141 152</b>
Fee and commission income	18 240	17 635	18 575	18 372	34 721	34 683	35 524	36 197
Fee and commission expense	(3 940)	(4 182)	(3 801)	(4 159)	(7 941)	(8 174)	(7 670)	(8 125)
<b>Net interest, fee and commission income</b>	<b>80 547</b>	<b>83 247</b>	<b>80 740</b>	<b>80 909</b>	<b>148 669</b>	<b>174 789</b>	<b>148 246</b>	<b>169 224</b>
Net gain on operations with securities and derivative financial instruments	(9 652)	28 490	(9 662)	28 485	(7 157)	45 965	(5 542)	47 157
Net gain on operations in foreign currency	5 154	5 025	5 156	4 919	9 216	1 004	9 219	977
Impairment losses and provisions	(113 826)	(190 768)	(113 742)	(188 553)	(200 334)	(302 139)	(200 037)	(294 550)
Other income	4 287	3 254	3 219	2 203	7 860	5 864	5 382	3 505
Personnel expenses	(21 598)	(21 918)	(21 203)	(21 303)	(43 947)	(43 348)	(43 141)	(41 869)
Depreciation and amortisation	(4 352)	(5 170)	(3 850)	(4 250)	(8 909)	(10 324)	(7 792)	(8 346)
Other administrative expenses	(23 944)	(21 893)	(17 166)	(19 681)	(46 806)	(45 051)	(35 953)	(41 665)
<b>Profit (loss) before taxes</b>	<b>(83 384)</b>	<b>(119 733)</b>	<b>(76 508)</b>	<b>(117 271)</b>	<b>(141 408)</b>	<b>(173 240)</b>	<b>(129 618)</b>	<b>(165 567)</b>
Income tax	(101)	28 927	(1)	29 164	(201)	28 735	(1)	29 164
<b>Net profit (loss) for the period</b>	<b>(83 485)</b>	<b>(90 806)</b>	<b>(76 509)</b>	<b>(88 107)</b>	<b>(141 609)</b>	<b>(144 505)</b>	<b>(129 619)</b>	<b>(136 403)</b>
<b>Profit (loss) attributable to:</b>								
Equity holders of the parent	(83 485)	(90 806)	(76 509)	(88 107)	(141 609)	(144 505)	(129 619)	(136 403)
<b>Earnings per share (in LTL per share)</b>								
- per share	(14,62)	(17,67)			(24,80)	(28,12)		
- per share with potential shares	(14,62)	(17,67)			(24,80)	(28,12)		



## Summary of Interim Comprehensive Income (Expense) Statement, in thousands LTL

	Group		Bank		Group		Bank	
	2010 2nd quarter	2009 2nd quarter	2010 2nd quarter	2009 2nd quarter	2010 1st half-year	2009 1st half-year	2010 1st half-year	2009 1st half-year
<b>Net profit (loss) for the period</b>	<b>(83 485)</b>	<b>(90 806)</b>	<b>(76 509)</b>	<b>(88 107)</b>	<b>(141 609)</b>	<b>(144 505)</b>	<b>(129 619)</b>	<b>(136 403)</b>
Other comprehensive income (expenditures), after taxes:								
Due to revaluation of financial property for sale	(1 556)	(3 730)	(1 506)	(3 588)	(922)	(3 181)	(945 )	(3 030 )
Total of comprehensive income (expenditures), after taxes	(1 556)	(3 730)	(1 506)	(3 588)	(922)	(3 181)	(945 )	(3 030 )
<b>Comprehensive profit (loss) after taxes for the period</b>	<b>(85 041)</b>	<b>(94 536)</b>	<b>((78 015)</b>	<b>(91 695)</b>	<b>(142 531)</b>	<b>(147 686)</b>	<b>(130 564)</b>	<b>(139 433)</b>
<b>Attributable to:</b>								
Equity holders of the parent	(85 041)	(94 536)	(78 015)	(91 695)	(142 531)	(147 686)	(130 564)	(139 433)

### Note

#### Consolidated using the full consolidation method:

UAB DnB NORD lizingas as of 30.06.2010, 30.06.2009.

UAB DnB NORD investicijų valdymas as of 30.06.2010, 30.06.2009.

UAB DnB NORD būstas as of 30.06.2010, 30.06.2009.

UAB Intractus – 31.12.2009 (subsidiary established on 05 08 2009),

UAB Gėlužės projektai – 30.06.2010 (subsidiary bought in June 2010).

## Interim Abridged Statement of Equity Changes of the Group's Shareholders, in thousands LTL

	Registered capital	Issue difference	Other reserves	Financial assets revaluation reserve	Mandato- ry reserve	Retained earnings	In total
<b>31 December 2008</b>	<b>590 999</b>	<b>277 218</b>	<b>842</b>	<b>(10 832)</b>	<b>15 139</b>	<b>69 988</b>	<b>943 354</b>
In total recognized income and expenses	-	-	-	3 181	-	(144 505)	(141 324)
Transfers from revaluation reserve of totally depreciated long-term property	-	-	(4)	-	-	4	-
Transfers to mandatory reserve	-	-	-	-	3 624	(3 624)	-
Increase of reserve capital (from additional contribution of shareholders)	-	-	34 528	-	-	-	34 528
<b>30 June 2009</b>	<b>590 999</b>	<b>277 218</b>	<b>35 366</b>	<b>(7 651)</b>	<b>18 763</b>	<b>(78 137)</b>	<b>836 558</b>
<b>31 December 2009</b>	<b>656 665</b>	<b>282 929</b>	<b>190 742</b>	<b>(2 793)</b>	<b>18 763</b>	<b>(340 505)</b>	<b>805 801</b>
In total recognized income and expenses	-	-	-	(922)	-	(141 609)	(142 531)
Transfers from reserves	-	-	(189 904)	-	(18 563)	208 467	-
Transfers from revaluation reserve of totally depreciated long-term property	-	-	(4)	-	-	4	-
Increase of reserve capital (from additional contribution of shareholders)	-	-	-	-	69 056	-	69 056
<b>30 June 2010</b>	<b>656 665</b>	<b>282 929</b>	<b>834</b>	<b>(3 715)</b>	<b>69 256</b>	<b>(273 643)</b>	<b>732 326</b>

## Interim Abridged Statement of Equity Changes of the Bank's Shareholders, in thousands LTL

	Registered capital	Issue difference	Other reserves	Financial assets revaluation reserve	Mandato- ry reserve	Retained earnings	In total
<b>31 December 2008</b>	<b>590 999</b>	<b>277 218</b>	<b>842</b>	<b>(10 383)</b>	<b>14 876</b>	<b>70 737</b>	<b>944 289</b>
In total recognized income and expenses	-	-	-	3 030	-	(136 403)	(133 373)
Transfers from revaluation reserve of totally depreciated long-term property	-	-	(4)	-	-	4	-
Transfers to mandatory reserve	-	-	-	-	3 537	(3 537)	-
Increase of reserve capital (from additional contribution of shareholders)	-	-	34 528	-	-	-	34 528
<b>30 June 2009</b>	<b>590 999</b>	<b>277 218</b>	<b>35 366</b>	<b>(7 353)</b>	<b>18 413</b>	<b>(69 199)</b>	<b>845 444</b>
<b>31 December 2009</b>	<b>656 665</b>	<b>282 929</b>	<b>190 742</b>	<b>(2 734)</b>	<b>18 413</b>	<b>(335 425)</b>	<b>810 590</b>
In total recognized income and expenses	-	-	-	(945)	-	(129 619)	(130 564)
Transfers from reserves	-	-	(189 904)	-	(18 413)	208 317	-
Transfers from revaluation reserve of totally depreciated long-term property	-	-	(4)	-	-	4	-
Increase of reserve capital (from additional contribution of shareholders)	-	-	-	-	69 056	-	69 056
<b>30 June 2010</b>	<b>656 665</b>	<b>282 929</b>	<b>834</b>	<b>(3 679)</b>	<b>69 056</b>	<b>(256 723)</b>	<b>749 082</b>

## Interim Cash Flow Statement, in thousands LTL

	Group		Bank	
	2010	2009	2010	2009
	1st half-year	1st half-year	1st half-year	1st half-year
<b>Operating activities</b>				
Interest receipt	223 929	335 730	216 842	312 269
Interest payments	(88 874)	(196 341)	(87 144)	(174 760)
Collected previously written-off loans	1 004	960	1 004	960
Receipts from foreign currency trading	24 172	25 207	24 172	25 207
Net receipt from operations in securities	7 610	12 109	7 578	12 109
Fee and commission receipt	34 721	36 747	35 525	36 197
Fee and commission payments	(7 941)	(8 174)	(7 670)	(8 125)
Salaries and related payments	(44 343)	(48 387)	(43 322)	(46 908)
Other payments	(47 092)	(41 251)	(39 063)	(38 159)
<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>	<b>103 186</b>	<b>116 600</b>	<b>107 922</b>	<b>118 790</b>
<b>(Increase) decrease in operating assets</b>				
(Increase) decrease in loans to credit and financial institutions	(186 381)	25 791	(330 554)	(874)
(Increase) in loans granted	721 449	332 026	721 468	331 940
(Purchase) of trading securities	(1 048 313)	(1 100 269)	(1 048 313)	(1 100 269)
Proceeds from trading securities	1 049 110	1 121 322	1 049 110	1 121 322
(Increase) decrease in other assets	121 797	91 794	30 046	3 776
<b>Change in operating assets</b>	<b>657 662</b>	<b>470 664</b>	<b>421 757</b>	<b>355 895</b>
<b>Increase (decrease) in liabilities</b>				
Increase (decrease) in liabilities to credit and financial institutions	(589 080)	(105 867)	(593 848)	(104 678)
Increase (decrease) in deposits	699 273	(87 740)	699 521	(88 136)
Increase (decrease) in other liabilities	(5 898)	(11 804)	11 109	(3 216)
<b>Change in liabilities</b>	<b>104 295</b>	<b>(205 411)</b>	<b>116 782</b>	<b>(196 030)</b>
<b>Net cash flow from operating activities before income taxes</b>	<b>865 143</b>	<b>381 853</b>	<b>646 461</b>	<b>278 655</b>
<b>Income tax paid</b>	<b>(95)</b>	<b>(2 388)</b>	<b>-</b>	<b>(2 388)</b>
<b>Net cash flow from operating activities</b>	<b>865 048</b>	<b>379 465</b>	<b>646 461</b>	<b>276 267</b>
<b>Investing activities</b>				
Acquisition of property, plant, equipment and intangible assets	(959)	(2 300)	(943)	(2 280)
Disposal of property, plant, equipment and intangible assets	2 012	2 107	-	18
Purchase of securities for sale	(4 728)	(3 513)	(502)	(1 077)
Proceeds from securities for sale	58 950	37 216	53 750	35 435
Purchase of securities designated at fair value	(321 780)	(71 721)	(321 780)	(71 721)
Proceeds from securities designated at fair value	100 779	132 335	100 779	132 335
Dividends received	6	7	1 655	1 206
Interest received	17 461	28 463	17 300	28 321
Investments to subsidiaries	-	-	(21 624)	-
<b>Net cash flow from investing activities</b>	<b>(148 259)</b>	<b>122 594</b>	<b>(171 365)</b>	<b>122 237</b>
<b>Financing activities</b>				
Redemption of own debt securities	(461 058)	(498 741)	(461 058)	(498 741)
Issue of own debt securities	81 151	217 847	81 151	217 847
Interest paid	(19 502)	(24 605)	(19 502)	(24 605)
Received loans	-	24 170	-	-
Repaid loans	(241 696)	(127 754)	-	-
Increase in reserve capital	69 056	34 528	69 056	34 528
<b>Net cash flow from financing activities</b>	<b>(572 049)</b>	<b>(374 555)</b>	<b>(330 353)</b>	<b>(270 971)</b>
<b>Net increase in cash and cash equivalents</b>	<b>144 740</b>	<b>127 504</b>	<b>144 743</b>	<b>127 533</b>
<b>Net foreign currency difference</b>	<b>(3 807)</b>	<b>(3 063)</b>	<b>(3 810)</b>	<b>(3 090)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>527 239</b>	<b>551 957</b>	<b>527 239</b>	<b>551 953</b>
<b>Cash and cash equivalents on 30 June</b>	<b>668 172</b>	<b>676 398</b>	<b>668 172</b>	<b>676 396</b>

Additional information concerning the interim financial statements is provided in the interim abridged financial information of the Issuer which is published together with the Interim Report incorporated into the Base Prospectus by way of reference.

#### **3.10.4. *Legal and Arbitration Proceedings***

In the last 12 months, there were no governmental, legal or arbitration proceedings (including any pending or threatened proceedings known to the Issuer), which significantly affect or recently have affected the financial state or profitability of the Issuer and (or) the Group.

#### **3.10.5. *Significant Changes in the Issuer's Financial Position***

No significant changes in the financial position and business state of the Issuer's Group have occurred since the latest published financial period – the end of the first half-year of 2010. For the material events which have occurred since 30 June 2010 please refer to Section 3.3 of this Base Prospectus.

### **3.11. MATERIAL AGREEMENTS**

In the past two years preceding the approval of the Base Prospectus, the Bank or any member of the Group signed no material agreements, other than agreements signed in the course of regular business, whereby any member of the Issuer's Group has assumed any obligations or acquired any rights having a material effect on the Issuer's capabilities to fulfil all the obligations to investors related to securities issued.

### **3.12. THIRD PARTY INFORMATION AND EXPERT STATEMENT AND DECLARATION OF ANY INTERESTS**

The Base Prospectus does not incorporate any statements or reports by the persons acting as experts, except for the Auditor's Report as per the Financial Statements for 2008 and the Financial Statements for 2009. The Financial Statements for 2008 and the Financial Statements for 2009 are incorporated into this Base Prospectus by reference and form an integral part of this Base Prospectus. For the information on the auditors who have conducted an independent audit of the Financial Statements for 2008 and the Financial Statements for 2009 please refer to Section 3.1 of this Base Prospectus. Provided audit conclusions were unconditional.

The information contained in Section 3.4.2 of this Base Prospectus is based on the information of the Bank of Lithuania and the Association of Lithuanian Banks published on their websites. As far as the Issuer is aware and is able to ascertain from the information published by the Bank of Lithuania and the Association of Lithuanian Banks, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **3.13. PUBLIC DOCUMENTS**

During the term of validity of this Base Prospectus (i.e. within one year from the day of approval of this Base Prospectus by the Securities Commission of the Republic of Lithuania, as indicated on the front page of this document), potential investors can inspect and receive free copies of the following documents:

- a) Articles of Association of the Issuer;
- b) all documents, any part whereof is incorporated into this Base Prospectus by reference (the list of such documents is provided in Page 3 of this Base Prospectus).

These documents may be inspected and their free copies are available at the Markets Department of the Bank, at J. Basanavičiaus str. 26, Vilnius, Lithuania, from 8:00 till 16:30 on working days (until 15:30 on Fridays) and on the Bank's internet website at [www.dnbNord.lt](http://www.dnbNord.lt) and on the website of the Central Storage Facility at [www.crib.lt](http://www.crib.lt). Contact telephone numbers: (+370 5) 239 3055, (+370 5) 239 3516.

## 4. ANNEXES

### ANNEX 1. PROCEDURE FOR THE ESTABLISHMENT OF THE FINAL TERMS

The Final Terms shall be established at the Issuer's initiative, taking into consideration its financial needs and the situation in the capital markets. If the Issuer appoints external distributors, the Final Terms shall be established by mutual agreement between the Issuer and the Distributor.

The form of the Final Terms is set out below.

AB DNB NORD BANKAS

[AGGREGATE NOMINAL AMOUNT OF THE TRANCHE] [TITLE OF THE TRANCHE]  
ISSUED ON THE BASIS OF A 300.000.000 EURO  
MEDIUM TERM NOTES PROGRAMME

#### FINAL TERMS

The present document, together with the Base Prospectus of the 300.000.000 Euro Medium Term Notes Programme (hereinafter referred to as the Base Prospectus), approved at the Securities Commission of the Republic of Lithuania on [approval date] and other documents incorporated by reference, constitutes a prospectus of the issue of notes drawn up in accordance with the Rules for Drawing up and Approval of the Securities Prospectus and Disclosure of Information as Approved by the Resolution No. 1K-21 of the Securities Commission of the Republic of Lithuania of 15 July 2005 (with Amendments), and Regulation No 809/2004 of the Commission of European Communities of 29 April 2004 Implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

**These Final Terms must be read in conjunction with the Base Prospectus**, which is available on the website of the Central Storage Facility at [www.crib.lt](http://www.crib.lt), on the Issuer's website [www.dnbnord.lt](http://www.dnbnord.lt) or at the Issuer's Markets Department, J. Basanavičiaus str. 26, Vilnius, phone (8-5) 239-3055, (8-5) 239-3516 [ and at DnB NORD units indicated in these Final Terms] *(if the Issuer is not the Distributor, this part shall be deleted)* [ and on [the Distributor's name] website [ ] or at [the Distributor's office, working hours, contact telephones] *(if the Issuer is a sole Distributor, this part shall be deleted)*].

The terms used in this document shall have the same as they do in the Base Prospectus.

- |  |  |
|--|--|
| 1. Issuer  | AB DnB NORD bankas   |
| 2. Title and Serial Number of the Tranche                  | [ ]  |
| 3. Issue Currency  | [ ]  |
| 4. Par Value per Note                                      | [ ]  |
| 5. Number of Notes Offered                                 | [up to]  |
| 6. Issue Price   | [ ] <i>(if the price of the notes depends on the placement date, type "for daily subscription prices please refer to Annex [ ]")</i> |
| 6.1. [Discount Rate Applicable During the Placement Period | [ ] % <i>(if not applicable, delete paragraph 6.1)</i>   |
| 7. Subscription Fee  | [ ]  |
| 8. Effective Date  | [ ]  |
| 9. Redemption Date   | [ ]  |
| 10. Interest Basis   | [Fixed Rate]<br>[Floating Rate]<br>[Zero Coupon]<br>[Linked Rate]  |
| 11. Redemption   | [Par value]<br>[Par value + premium]   |

	[Par value if no Credit Event occurs] [Par value + premium if no Credit Event occurs] (if not applicable, delete paragraph 12)]
<b>12. [Provisions Related to the Premium of the Financial Instrument]</b>	
12.1. Financial Instrument	[Name of the Financial Instrument, title and brief description of the company publishing the Financial Instrument; in case of a basket of Financial Instruments – basket evaluation formula; reference to historical and latest information on the Financial Instrument value].
12.2. Redemption Price	[indicate price calculation formula]
12.3. Minimum Value for Participation Rate	
12.3.1. Likely Value of Participation Rate	[ ] %
12.3.2. The Announcement Date for the Value of Participation Rate	
12.4. Participation Rate	[ ] % (if the exact value for participation rate is not known during the placement of notes and will be established on the specified in paragraph 12.3.1, delete paragraph 12.4)
12.5. Date (Dates) for Establishment of the Initial Value of the Financial Instrument	[ ]
12.6. Procedure for Establishment of the Initial Value of the Financial Instrument	[ ]
12.7. Dates for Establishment of Interim Values of the Financial Instrument	[ ]
12.8. Procedure for Establishment of the Final Value of the Financial Instrument	[ ]
<b>13. [Fixed Coupon Conditions]</b>	(if not applicable, delete paragraph 13)
13.1. Interest Rate	[ ] %
13.2. Coupon Payment Dates	[indicate specific dates]
13.3. Day Count Convention	[Act/360, Act/Act or other method] ]
<b>14. [Floating Coupon Conditions]</b>	(if not applicable, delete paragraph 14)]
14.1. Interest Rate	[Reference interest rate] + [margin]
14.2. Coupon Payment Dates	[indicate specific dates]
14.3. Determination of Reference Interest Rate	[indicate specific dates and time]
14.4. Day Count Convention	[Act/360, Act/Act or other method] ]
<b>15. [Zero Coupon Conditions]</b>	(if not applicable, delete paragraph 15)
15.1. Annual Yield	[ ]%
15.2. Day Count Convention	[Act/360, Act/Act or other method] ]
<b>16. [Linked Coupon Conditions]</b>	(if not applicable, delete paragraph 16)
16.1. Financial Instrument	[Name of the Financial Instrument, title and brief description of the company publishing the Financial Instrument; in case of a basket of Financial Instruments– basket evaluation formula; reference to historical and latest information on the Financial Instrument value]
16.2. Coupon	[indicate coupon calculation formula]
16.3. [Minimum Value of	[ ]%

Participation Rate	
16.3.1. Likely Value of Participation Rate	[ ]%
16.3.2. Date of Announcement of the Value of Participation Rate	[ ]]
16.4. Participation Rate	[ ] % (if the exact value of participation rate is not known during the placement of notes and will be established on the day specified in paragraph 16.3.2, delete paragraph 16.4)
16.5. Coupon Payment Dates	[indicate specific dates]
16.6. Date (Dates) for Establishment of the Initial Value of the Financial Instrument	[ ]
16.7 Procedure for Establishment of the Initial Value of the Financial Instrument	[ ]
16.8. Dates for Establishment of Interim Values of the Financial Instrument	[ ]
16.9. Procedure for Establishment of the Final Value of the Financial Instrument	[ ]]
<b>17. [ Dual Currency Conditions</b>	<i>(if not applicable, delete paragraph 17)</i>
17.1. [Redemption Currency	[ ] <i>(if identical to the issue currency, delete paragraph 17.1)</i>
17.1.1. Conversion	[currency exchange rate] and/or [method of determination of the currency exchange rate]]
17.2. [Coupon Currency	[ ] <i>(if identical to the issue currency, delete paragraph 17.2)</i>
17.2.1. Conversion	[currency exchange rate] and/or [method of determination of the currency exchange rate]] ]
<b>18. [Credit Linked Conditions</b>	<i>(if not applicable, delete paragraph 18)</i>
18.1. [Reference Entity	[name of the Reference Entity, the internet website address of the Reference Entity where the Reference Entity is a private sector entity] <i>(e.g. the Republic of Lithuania)</i>
18.2. Obligations of the Reference Entity	[Name of non-equity securities, ISIN code]
18.3. Characteristics of the Obligations of the Reference Entity	[e.g. Not Subordinated and/or Specified Currency [ ] and/or Non-Domestic Currency and/or Applicable Non-Domestic Law and/or Listed and/or Non-Domestic Issuance]
18.4. Credit Event	The list of Credit Events is provided in Annex No. [ ] of the Final Terms
18.5. Delivery (Transfer) Date if a Credit Event Occurs	[indicate number of business days] or [the longest number of business days for the delivery (transfer) of non-equity securities in accordance with the established relevant market practice]
18.6. Deliverable Obligations of the Reference Entity to be Delivered to the Investor if a Credit Event Occurs	[Non-equity securities]
18.7. Characteristics of the Deliverable Obligations of the Reference Entity to be Delivered to the Investor if a Credit Event Occurs	[e.g. Not Subordinated and/or Specified Currency [ ] and/or Non-Domestic Currency and/or Applicable Non-Domestic Law and/or Listed and/or Non-Domestic Issuance and/or



	Non-Contingent Obligations and/or Transferrable Obligations and/or Non-Bearer Obligations and/or Maximum Maturity [ ]
18.8. Conversion (applicable only if the Deliverable Obligations of the Reference Entity that have to be Delivered if a Credit Event Occurs are Denominated in other than the Issue Currency)	[currency exchange rate] and/or [method of determination of the currency exchange rate] ]
<b>Other Conditions</b>	
19. Early Redemption at the Option of the Note Owners	[Applicable/Not applicable] <i>(if not applicable, delete paragraphs 19.1-3)</i>
19.1. [Early Redemption Dates	[ ]
19.2. Dates for Determination of Early Redemption Value	[ ]
19.3. Early Redemption Formula	[indicate calculation formula] <i>(indicate termination fees or calculation method thereof)</i>
20. Early Redemption at the Option of the Issuer	[Applicable/Not applicable] <i>(if not applicable, delete paragraphs 20.1-4)</i>
20.1. [[Early Redemption Conditions	[indicate early redemption conditions (e.g. if on the Early Redemption Determination Date, the value of Financial Instrument is [ ]% higher/lower than the initial value of the Financial Instrument)] <i>(if not applicable, delete paragraph 20.1.)</i>
20.2. [Early Redemption Price	[indicate formula for calculating the price on early redemption (e.g. if on the Early Redemption Determination Date, the value of the Financial Instrument value is [ ]% higher/lower than the initial value of the Financial Instrument) <i>(if not applicable, delete paragraph 20.2)</i>
20.3. Early Redemption Coupon	[indicate formula for calculating early redemption coupon <i>(if not applicable, delete paragraph 20.3)</i>
20.4. Early Redemption Determination Dates	[indicate specific dates]
21. Secondary Market Bid Price Quoted by the Issuer	[Price calculation formula] <i>(applicable only to unlisted tranches, otherwise delete this paragraph)</i>
22. Placement Extent	[Republic of Lithuania and/or other countries]
23. Minimum Number of Notes Offered per Investor	[ ]
24. Maximum Number of Notes Offered per Investor	[ ]
25. Placement Period	From [ ] to [ ] (inclusive)
26. Placement time	[Date and time]
27. Payment period	[Date and time]
28. Requirement to Provide Security Measures	[applicable/ non-applicable] (state only in that case if the requirement to provide measures securing performance of obligations arising from submitted application is applicable to investors)
28.1. [Area of Application]	[indicate categories of investors, to who the requirement to provide measures securing performance of obligations is applicable]
28.2. [Interest for Funds Paid to Secure Performance of Obligations]	[indicate interest rate payable for funds paid to secure performance of obligations; if interest accumulates differently than interest on notes, indicate the method for calculation of interest]
29. Kind of Offering	[public/ private]
30. Procedure, Time and Venue of	[procedure of placement] <i>(indicate application and confirmation or</i>

Placement	<i>Notes Subscription Agreement</i> [addresses, working time, phone numbers of placement venues] [Bank's internet banking system] <i>(indicated only if Applications will be submitted or Notes Subscription Agreements will be concluded via the Bank's internet banking system)</i>
31. Distributor (-s)	[Company name, address, phone, distribution fees] <i>(if several Distributors are appointed, specify the Global Coordinator)</i>
32. Trustee	[Company name, address, phone]
33. Listing	[Name of the exchange where to the application for the listing will be made /Unlisted]
34. Calculating Agent	[Company name, address, phone]
35. Paying Agent	[Company name, address, phone]
36. Depository Agent	[Company name, address, phone]
37. Taxation	(For each jurisdiction of the placement indicate the relevant capital gain and income taxes; specify which taxes are withheld at the source of income)
<b>38. Perspectives of profit and loss</b>	[Applicable/ Non-Applicable] (applicable only to Financial Instrument linked notes; if not applicable, delete paragraph 38)
38.1. Market Expectations of Investor	[describe what market conditions there should be so that investor would earn profit on these notes]
38.2. Main Risks	[indicate 1-2 main risks characteristic to this note]
38.3. Profit Potential	[indicate maximum possible profit]
38.4. Loss Potential	[indicate maximum possible loss]

The Issuer bears responsibility for the accuracy of the information provided in these Final Terms.

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[Name, last name, position and signature of the person authorized by the Issuer]

[Date]

## ANNEX 2. TECHNICAL CONDITIONS OF LINKED NOTES

i) **Linked Notes** means the notes the Redemption Price and/or Coupons whereof depend on the positive change of the Financial Instrument and the Participation Rate. Depending on the payable Coupons/Premium of the Linked Notes, they are categorized as:

- A. **Linked Redemption Notes** means the notes the Redemption Price whereof depends on the gain of the Financial Instrument and the Participation Rate.
- B. **Linked Coupon Notes** means notes, the Coupon whereof depends on the positive change of the Financial Instrument and the Participation Rate.

ii) **Financial Instrument** shall be understood the way it is defined in the Law on Markets in Financial Instruments of the Republic of Lithuania. One or more tranches of notes offered under this Prospectus may be linked to Financial Instrument. Every tranche of linked notes may be linked to a different Financial Instrument or a basket thereof.

iii) **Participation Rate** means the share of the positive change of the Financial Instrument payable to the investor. Should the Final Terms of the tranche specify the likely or minimum value of participation rate, it will be published on the date specified in the Final Terms on the internet website of the Distributor specified in the Final Terms of the specific tranche and/or on the internet website of the Issuer at [www.dnb nord.lt](http://www.dnb nord.lt).

iv) **Date for Establishment of the Initial Value of the Financial Instrument** means the date specified in the Final Terms.

v) **Date for Establishment of Interim Value of the Financial Instrument** means the date when the interim value of the Financial Instrument is observed.

vi) **Calculation of the Redemption Price and the Coupons of Linked Notes:**

### A. Coupon calculation for Linked Coupon Notes:

$$R = N * p$$

$$p = \max(\alpha * \Delta I, \beta)$$

$$\Delta I = \frac{I_g - I_0}{I_0}$$

Where:

R – Coupon amount

N – Par value of notes

p – Coupon rate (in %)

$\alpha$  – Participation rate

$\beta$  – Premium guaranteed by the Issuer, not less than 0%

$\Delta I$  – Change of the value of the Financial Instrument

$I_0$  – Initial value of the Financial Instrument

$I_g$  – Final value of the Financial Instrument

The Final Terms of the specific tranche may specify a different procedure for the calculation of the Coupon of the Linked Coupon Notes.

### B. Redemption Price calculation for Linked Redemption Notes:

$$K = N + P$$

$$P = \max(\alpha * N * \Delta I, \beta)$$

$$\Delta I = \frac{I_g - I_0}{I_0}$$

Where:

K – Redemption price of notes  
 N – Par value of notes  
 P – Premium  
 $\alpha$  – Participation rate  
 $\beta$  – Premium guaranteed by the Issuer, not less than 0%  
 $\Delta I$  – Change in the value of the Financial Instrument  
 $I_0$  – Initial value of the Financial Instrument  
 $I_g$  – Final value of the Financial Instrument

The Final Terms of the specific tranche may specify a different procedure for the calculation of the Redemption Price of the Linked Redemption Notes.

### **C. Establishment of the Values of the Financial Instrument**

Unless the Final Terms specify otherwise, the initial value of the Financial Instrument is established on the Effective Date of the Tranche. The Final Terms may stipulate several dates for establishment of initial value, in such an event, unless the Final Terms specify otherwise, the initial value of the Financial Instrument is equal to the arithmetical average of the values of the Financial Instrument established on those days.

The final value of the Financial Instrument is equal to the arithmetical average of the values established on dates for establishment of interim values, unless the Final Terms specify otherwise. The dates for establishment of interim values of the Financial Instrument are indicated in the Final Terms.

If the value of the Financial Instrument is quoted several times per day or in real time, the value of the Financial Instrument for the day shall be the closing value or price of stock exchange session or of separate Financial Instruments, or the last announced value. When the Financial Instrument does not have a closing price (e.g. in case of currency exchange rates), the Final Terms of the issue will specify the time of days for establishment (for ex. 2:15 pm), on which the value of Financial Instrument shall be established.

In case of early redemption, the last date for establishment of the value of the Financial Instrument shall be considered a) in case of redemption at the option of the Issuer– the Early Redemption Date; b) in case of redemption at the option of the note owners – the 5th Markets Business Day before the Early Redemption Date.

### **D. Other Conditions for Establishment of the Financial Instrument Value**

If the day for establishment of the value of the Financial Instrument is not the Markets Business Day, then the value of the Financial Instrument will be established on the next closest Markets Business Day, unless the Final Terms specify otherwise.

If on the day for establishment of the value of the Financial Instrument or before it, events beyond the Issuer's control take place which could not be foreseen by the Issuer at the moment of the note issue, the Issuer has the right to move the dates for establishment of the value of the Financial Instrument or change the Financial Instrument and/ or the calculation procedure for the Financial Instrument. In this Base Prospectus such events are defined as "Unforeseen Events".

The Issuer may move the dates for establishment of the value of the Financial Instrument in case of the following Unforeseen Events, provided such events occur and continue from the end of the placement period until the date for establishment of the initial value of the Financial Instrument

- i) general suspension of or limitation imposed on trading in the relevant exchange or unregulated market, whereon the values of the Financial Instrument are quoted, or on the basis of which the Financial Instrument value is calculated;
- ii) suspension of or limitation imposed on trading in futures, swaps and options related to the Financial Instrument in the exchanges where trading in these instruments takes place;
- iii) suspension of the calculation or non-calculation of the Financial Instrument value due to the decision of the agency/bank which should calculate the value of Financial Instrument.

In case of these Unforeseen Events, the date for establishment of the value of Financial Instrument shall be postponed to the next Markets Business Day. If as a result of Unforeseen Events, the date for establishment of the value of Financial Instrument is postponed for 8 subsequent Markets Business Days, and the Unforeseen Events continue, then the 8th Markets Business Day shall be the date for establishment of the value of Financial Instrument, provided that the Issuer establishes the Financial Instrument value in a reasonable manner, considering the conditions in the market.

The Issuer may change the Financial Instrument and/or the Financial Instrument calculation method if any of the Unforeseen Events take place:

- i) On the date for establishment of the value of Financial Instrument or before it, an agency calculating (estimating) the Financial Instrument gives a notice that a material change in the formula or Financial Instrument calculation (estimation) method will be made, or that the Financial Instrument is materially changed in any other way;
- ii) The Financial Instrument is cancelled and no successor Financial Instrument exists; or any of the Financial Instrument components are changed/cancelled, as laid down in sub-paragraph iii) below;
- iii) The Financial Instrument is cancelled, delisted, is under bankruptcy, becomes a subject of acquisition, merger, division, nationalization, or its evaluation units, currency and offering procedure are changed.

If any of the above-mentioned events has a material effect on the calculation of payments due to the investor, the Financial Instrument value will be established by the formula and calculating method that were in effect before the Unforeseen Events occurred. If the previous application of the Financial Instrument is not possible due to the conditions established in points iii and ii, the Issuer shall replace the Financial Instrument with a Financial Instrument of an adequate value for a note holder. The adequacy of the replacement will be evaluated by the experts of the Issuer's Markets Department. If an external Calculating Agent is appointed by the Issuer, all the actions and evaluations stipulated herein above shall be carried out by the Calculating Agent.

A notice of the procedure of the change of the Financial Instrument due to Unforeseen Events shall be given in accordance with the announcement procedure laid down in Section 2.7 of the Base Prospectus.

### ANNEX 3. TECHNICAL CONDITIONS OF THE CREDIT LINKED NOTES

- i) **Credit Linked Notes** are the notes linked to the Reference Entity's default risk, i.e. the risk that a Credit Event will occur;
- ii) **Credit Event** (for example, a notice that the notes will not be redeemed or a failure to redeem the non-equity securities or (and) to pay coupons) is the event related to the Reference Entity specified in the Final Terms of the specific tranche or (and) an annex thereto, in the occurrence whereof the Issuer shall deliver to the investor the Deliverable Obligations of the Reference Entity, the main features of which are specified in the Final Terms of the specific tranche.
- iii) **Reference Entity** (for example, the Republic of Lithuania) is an entity, the default risk whereof (i.e. the risk that a Credit Event will occur) is assumed by the investor when purchasing the Credit Linked Notes offered by the Issuer. The Reference Entity could be a private or public sector entity, an institution or an organization (including a sovereign and the government of a sovereign) or any other Reference Entity indicated in specific Final Terms, any securities whereof are traded on the regulated market during the placement period of the notes. The website address of the Reference Entity, which is a private sector entity, will be provided in the Final Terms of each tranche. The Reference Entity could be any sovereign or any legal entity established in a sovereign.
- iv) **Obligations of the Reference Entity** are the obligations of the Reference Entity to pay a certain amount in the future, issued in the form of securities.

The characteristics of the Obligations of the Reference Entity will be provided in the Final Terms of the specific tranche. Any one or more of the below listed characteristics may be specified in the Final Terms:

- A. **Non-Subordinated** – means the Obligations of the Reference Entity, the claims in relation whereof shall be satisfied before the claims arising from the Subordinated Obligations of the Reference Entity.
- B. **Subordinated** – means the Obligations of the Reference Entity, with respect to satisfaction of claims whereof certain legal or (and) contractual limitations are applicable providing that: (1) in case of the bankruptcy, liquidation, dissolution, reorganization, etc. of the Reference Entity, the claims arising from the Non-Subordinated Obligations of the Reference Entity shall be satisfied prior to the claims arising from the Subordinated Obligations of the Reference Entity; or (2) the payment claims arising from the Subordinated Obligations of the Reference Entity shall not be satisfied if the Reference Entity is in payment arrears or is otherwise in default under the Non-Subordinated Obligations. For the purposes of determining whether an Obligation of the Reference Entity is Subordinated with respect to another Obligation of the Reference Entity, the existence of preferred creditors arising by operation of law or of collateral, or other similar kind of arrangements shall not be taken into account, except where the Reference Entity is a sovereign or the government of a sovereign. Where the Reference Entity is a sovereign or the government of a sovereign, for the purposes of determining whether an Obligation of the Reference Entity is Subordinated with respect to another Obligation of the Reference Entity, the existence of preferred creditors arising by operation of law shall be taken into account.
- C. **Specified Currency** – means the currency or currencies specified in the Final Terms in which the Obligations of the Reference Entity are performed.
- D. **Non-Domestic Currency** – means the Obligations of the Reference Entity are denominated in the currency other than: 1) the lawful currency and the successor currency of the Reference Entity, if the Reference Entity is a sovereign or the government of a sovereign; 2) the lawful currency and the successor currency of the state, in which the Reference Entity is established, if the Reference Entity is other than a sovereign or the government of a sovereign. If the lawful currency of the Reference Entity or of the state in which the Reference Entity is established, is replaced by Euro of EU, such currency shall not be considered the domestic currency of the Reference Entity or of the state in which the Reference Entity is established.
- E. **Applicable Non-Domestic Law** means the Obligations of the Reference Entity shall be governed by the Law other than 1) the law of the Reference Entity, if the Reference Entity is a sovereign; or 2) the law of the jurisdiction of the Reference Entity, if the Reference Entity is not a sovereign.

F. **Listed** – means that the Obligations of the Reference Entity are quoted, listed or ordinarily purchased/sold on an exchange.

G. **Non-Domestic Issuance** means the Obligations of the Reference Entity which were not intended to be firstly offered in the local market during their offering. Any Obligations of the Reference Entity that were registered for sale not only in the domestic market or only in the international market shall be deemed the Non-Domestic Issuance obligations.

v) **Deliverable Obligations of the Reference Entity** are the Obligations of the Reference Entity specified in the Final Terms to be delivered by the Issuer to the holder of the Credit Linked Notes if a Credit Event occurs during the validity period of these notes. The characteristics of the Deliverable Obligations of the Reference Entity will be provided in the Final Terms of the specific tranche. Any one or more of the below listed characteristics of the Deliverable Obligations of the Reference Entity and of the characteristics of the Obligations of the Reference Entity listed in paragraphs A to G herein below may be specified in the Final Terms:

A. **Non-Contingent Obligations** – means non-equity securities of the Reference Entity redeemed at the price not less than the par value subject to certain conditions and events.

B. **Transferrable Obligations** – means the Obligations of the Reference Entity transferable to institutional investors without any contractual, statutory or regulatory restrictions;

C. **Non-Bearer Obligations** – means the Obligations of the Reference Entity that are not bearer instruments, or bearer obligations interests of which are cleared via the Euroclear, Clearstream International or any other internationally recognised clearing system.

D. **Maximum Maturity** – means the remaining maturity from the delivery date of the Obligations of the Reference Entity to the maturity date of the Deliverable Obligations of the Reference Entity.

#### vi) Payment Procedure in Case of a Credit Event

Unless the Final Terms specify otherwise, in case a Credit Event occurs during the validity period of notes, the Issuer shall announce this on the internet website of the Issuer at [www.dnb nord.lt](http://www.dnb nord.lt) and/or on the internet website of the Distributor specified in the Final Terms of the specific tranche. The list of Credit Events will be provided in the Final Terms of the specific tranche or an annex thereto.

If a Credit Event occurs, the Issuer will deliver to the investor the Deliverable Obligations of the Reference Entity specified in the Final Terms of the specific tranche with the characteristics listed in the Final Terms. The number of the Deliverable Obligations will be determined by dividing the aggregate par value of all notes of certain issue held by the investor and to which the Credit Event applies by the par value of Deliverable Obligations. Should the currency of the Deliverable Obligations of the Reference Entity differ from that of the notes issued by the Issuer, the Deliverable Obligations of the Reference Entity shall be calculated at the currency exchange rate as per the procedure specified in the Final Terms. The Bank will transfer to investor the units of Deliverable Obligations of the Reference Entity to the personal securities account of the investor opened with a credit institution or an investment firm licensed to provide investment services and acting as the custodian of the relevant Credit Linked Notes. If a Credit Event occurs, the Issuer is released of the obligation to pay the redemption price, premium and Coupon. Upon delivery of the Deliverable Obligations of the Reference Entity by the Issuer in the procedure specified in the Prospectus and the Final Terms, the Issuer shall be deemed to have fully settled with the investor in respect of the relevant notes.

When calculating the units of the Deliverable Obligations of the Reference Entity, it shall be taken into consideration that only a whole number of units of the Deliverable Obligations of the Reference Entity will be delivered to the investor, while the rest will be rounded up to one decimal place applying the arithmetic rules of rounding and calculated and paid to the investor in the procedure specified below. The payments to investors will be transferred to the custodian of the investor specified in the Notes Subscription Agreement. The Investor shall immediately notify the custodian of any change in the account. In case of the failure to do so, the funds will be kept with the Issuer's bank and will be transferred to the investor at the first demand. The amount payable to the investor shall be calculated as prescribed below:

$$AP = NDQ * UMP$$

where

AP means the amount payable;

NDQ means the part of units of the Obligations of the Reference Entity due to respective investor that remained after the units of Deliverable Obligations of the Reference Entity are calculated and from that number a whole number of units of delivered Obligations of the Reference Entity is subtracted;

not delivered to the relevant Investor;

UMP means the market price per unit of the Obligations of the Reference Entity on the delivery date. The market price of the Obligations of the Reference Entity shall be determined by the Issuer.

The transfer of the Deliverable Obligations of the Reference Entity to the customer to the personal securities account of the investor opened with a credit institution or an investment firm licensed to provide investment services and specified by the investor may be subject to the securities transfer fees as per the pricelist of the Issuer published on the internet website of the Issuer at [www.dnbnord.lt](http://www.dnbnord.lt) and other relevant fees specified in the terms (prospectus) of the Obligations of the Reference Entity. Such fees shall be paid by the dates specified by the Issuer through the transfer of the respective amount to the account of the Issuer specified by the Issuer.