Annual Report 2007

DnB NORD Bankas

KEY FINANCIAL DATA

INCOME STATEMENT: key figures (LTL thousand)

	Group		Bank	
	31 12 2007	31 12 2006	31 12 2007	31 12 2006
Interest income	529,911	296,361	494,605	283,846
Net interest income	259,121	160,677	248,725	153,815
Fee and commission income	59,020	46,994	55,735	42,503
Net gain on operations with securities, derivative financial instruments and foreign exchange	23,364	6,565	24,751	8,531
Administrative and other operating expenses	(196,634)	(146,610)	(184,355)	(138,265)
Impairment losses and provisions	(20,139)	(9,991)	(19,072)	(8,607)
Net profit	106,917	49,769	107,884	50,303

BALANCE SHEET: key figures (LTL thousand)

	Group		Bank	
	31 12 2007	31 12 2006	31 12 2007	31 12 2006
Loans and advances to customers	8,810,217	5,856,435	8,869,160	6,166,778
Securities	730,287	560,426	729,077	554,543
Finance lease receivables	754,338	480,173	-	-
Total assets	11,413,206	7,735,386	10,631,469	7,510,001
Due to customers	4,211,653	3,095,371	4,226,093	3,098,598
Due to banks	4,943,502	3,330,373	4,172,686	3,121,057
Debt securities in issue	1,116,124	553,601	1,116,124	553,601
Share capital	569,439	404,536	569,439	404,536
Other reserves	163,197	61,879	162,389	60,058

AB DnB NORD Bankas and Group data for 2006 is restated

KEY RATIOS

Year	2005		2006		2007	
	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	16.9	16.6	15.0	15.2	17.8	18.0
Cost/income ratio (percent)	68.1	67.7	62.1	60.9	51.9	50.5
Earnings per share (LTL)	20.25		19.80		35.93	

KEY RATIOS

Agency	Long term borrowing rating/outlook	Short term borrowing rating	Support rating	Individual rating
Fitch Ratings	A / stable	F1	1	C/D

CONTENTS

Management Board:
Alditas Saulius; Gundars Andžans; Werner H. Schilli, Chairman of the Management Board-President; Dr. Jekaterina Titarenko; Sigitas Žutautas; Dr. Vygintas Bubnys, Vice-chairman of the Management Board.

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear customers and shareholders,

2007 was another year of dynamic growth for *AB DnB NORD Bankas* - for the first time the assets under bank's management topped LTL 10 billion while the loan portfolio to individual customers and businesses passed LTL 4 billion mark each. The bank not only further consolidated its position in major market segments and earned the largest profit ever but also won recognition as the country's best bank.

In the reporting year the assets of *AB DnB NORD Bankas* outpaced the market growth and the bank firmly held its position among the country's top three banking institutions. The assets of the group, that includes *AB DnB NORD Bankas*, leasing subsidiary *UAB DnB NORD Lizingas*, asset management company *UAB DnB NORD Investicijų Valdymas* and real estate brokerage *UAB DnB NORD Būstas*, rose by LTL 3.7 billion to LTL 11.4 billion. That was determined by the rapid loan portfolio growth which increased 50.4 percent year-on-year to LTL 8.8 billion. Customers' deposits increased 36.1 percent over 2007 to LTL 4.2 billion and due to innovative performance on debt securities market we took the lead in Lithuania's structured investment products market.

In 2007 *AB DnB NORD Bankas* group earned a net profit of LTL 106.9 million that was 2.1 times higher compared with the 2006 result. The best so far financial result was achieved largely due to the increased loan portfolio to individuals and businesses, active performance on the investment banking market and continued efforts to improve operating efficiency as well as the loan portfolio quality. As the result the return on equity increased to 17.8 percent, cost/income ratio went down to 51.9 percent while earnings per share recorded sharp growth to LTL 35.93.

Due to proper risk management policy *AB DnB NORD Bankas* met all prudential requirements of the Bank of Lithuania while international rating agency Fitch Ratings upgraded its individual rating and affirmed long-term creditworthiness at high "A" level. Having assessed rapid business expansion, profitability growth and the ability to win the right sort of business in Lithuania's booming economy, the international finance magazine *Euromoney* nominated *AB DnB NORD Bankas* as the Best Bank in Lithuania. But we are especially proud of constantly increasing number of customers. That clearly indicates that they appreciate our services and it encourages us to continue work hard on implementation of our key business philosophy notion – sustainable success in banking today can be achieved through prime focus on customer, continuous delivery of superior service quality provided by highly processional and dedicated staff.

I would like to thank all customers, employees and shareholders for confidence and contribution to our common goal - to make the bank the most dynamic financial institution in Lithuania.

On behalf of the Management Board

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

HIGHLIGHTS 2007

- **January 10.** Subsidiary *UAB DnB NORD Būstas* registered to provide brokerage services on the real estate market.
- **June 1.** The amendments to the bylaws registered reflecting the increase of the authorized capital of *AB DnB NORD Bankas* to LTL 363.7 million.
- **July 17.** The international banking and finance magazine *Euromoney* ranks *AB DnB NORD Bankas* as the Best Bank in Lithuania.
- **August 16.** The international rating agency Fitch Ratings upgrades individual rating of the bank and affirms it high long term borrowing rating at A.
- **October 4.** The Securities Commission registers *AB DnB NORD Bankas* corporate notes issuance prospectus – the country's largest debt securities issuance programme.
- **October 10.** *AB DnB NORD Bankas* launches a novelty on Lithuanian market - a mortgage credit branded "Rate ceiling".
- **October 22.** *AB DnB NORD Bankas* successfully upgrades internet banking system to offer its customers faster and more user-friendly internet banking services.
- **November 5.** The bank offers the market its first investment deposit.
- **November 9.** The assets of *AB DnB NORD Bankas* top LTL 10 billion benchmark.
- **December 4.** *AB DnB NORD Bankas* launches express consumer credits online.
- **December 15.** The Central Securities Depository awards *AB DnB NORD Bankas* for active participation in the country's debt securities market.
- **December 28.** The Board of the Bank of Lithuania gives a permission to *AB DnB NORD Bankas* to increase its capital base to facilitate further growth ensuring the compliance with the prudential requirements.

VISION AND MISSION

Vision

- Our goal is to be the most dynamic and reliable financial institution in Lithuania. We use Team spirit and Simplicity as our instruments to create Dynamics.
- DnB NORD Bankas aims to be among the top three banks in the Baltic region (as part of DnB NORD group).

Mission

- We want to be your bank for the future of your business. We believe that everything is possible. Just follow your ideas. Others try, we do it!
- We help our customers to realise their ambitions, to be an important part of their business and daily life.
- We take challenges as chances. We enjoy to work hard and to make things happen.

Values

- Dynamics: we act!
- Simplicity: we know that simple solutions are better than complicated structures.
- Team spirit: we believe we are strong together.
- Reliability: we build our bank on Trust and Fairness.

Strategic priorities

- Our main focus is on retail customers (individuals and small legal entities).
- We are working with corporate customers.
- We do investment banking, asset management and leasing.

Quality policy

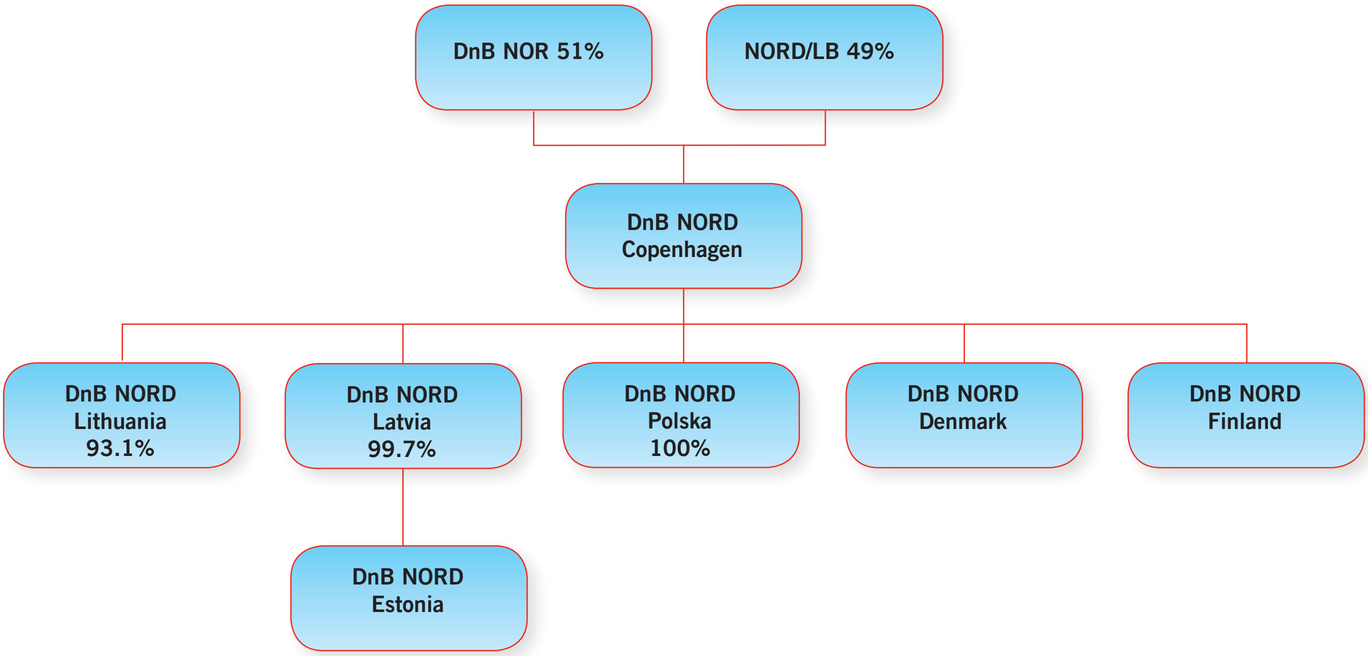
The Quality Policy is our commitment to ensure high quality in everything we do.

- The key to success is satisfaction of customer needs and expectations;
- Continuous quality improvement is ensured by each employee participating in this process with suggestions and ideas;
- Customer responses enable us to find out more about our customer needs and expectations and hence to continuously improve our service;
- Team spirit, simplicity and dynamics are the base for quality improvement. The Bank’s management commits itself to allocate necessary resources to implement this Quality Policy.

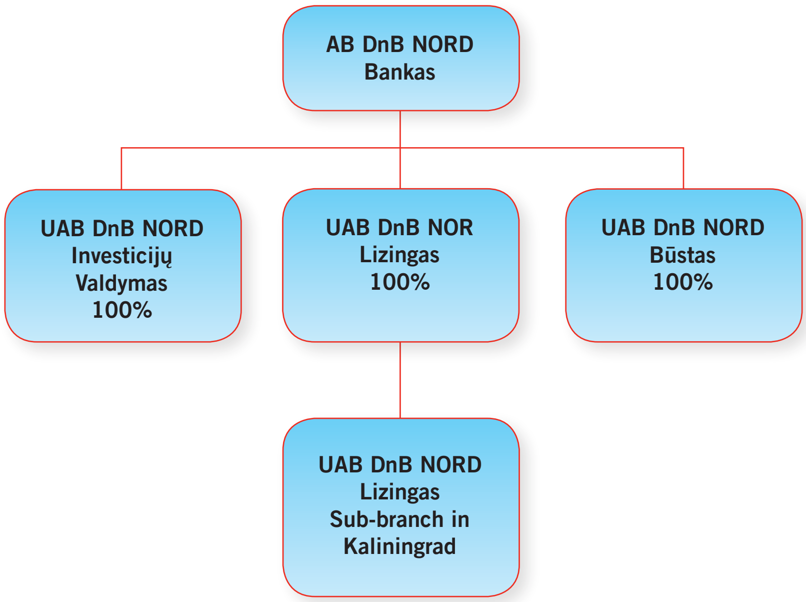
We are together to serve our customers best!

MEMBER OF INTERNATIONAL FINANCIAL GROUP

AB DnB NORD Bankas is part of the dynamic and reliable DnB NORD banking group registered in Denmark that was established by Norway's largest bank DnB NOR and North Germany's largest bank NORD/LB. DnB NORD banking group has focused the activities of both founders in the Baltic region by offering the whole range of modern and top quality financial services in Denmark, Finland, Estonia, Latvia, Lithuania, and Poland.



As of 31 December 2007 *AB DnB NORD Bankas Group* (hereinafter referred to as "the Group") in Lithuania consisted of *AB DnB NORD Bankas* and its subsidiaries *UAB DnB NORD Investicijų Valdymas, UAB DnB NORD Lizingas* and *UAB DnB NORD Būstas.*



SHAREHOLDERS

The authorised share capital of *AB DnB NORD Bankas* amounted to LTL 363,691,755 as of 31 December 2007. It was divided into 3 162 537 ordinary registered shares with LTL 115 par value each. There were 1 013 shareholders in *AB DnB NORD Bankas* at the end of the reporting year.

Shareholder structure	Number of shares	Share capital in LTL	Share capital in pct.
Bank DnB NORD A/S	2,946,061	338,797,015	93.15
Skandinaviska Enskilda Banken clients	181,705	20,896,075	5.75
Other	34,771	3,998,665	1.10
Total:	3,162,537	363,691,755	100.00

AB DnB NORD Bankas shares are admitted to the Additional Trading List on Vilnius Stock Exchange. ISIN code of the Issuer's shares is LT0000100174, ticker – NDL1L.

AB DnB NORD Bankas stock capitalization and turnover in 2005-2007

Reporting period		Capitalization, e-o-p, LTL	Turnover, LTL
Beginning	End		
01 01 2005	31 03 2005	513,465,250	7,548,207
01 04 2005	30 06 2005	605,888,995	76,834
01 07 2005	30 09 2005	1,108,942,200	294,744
01 10 2005	31 12 2005	985,726,400	1,005,896
01 01 2006	31 03 2006	938,953,682	2,080,660
01 04 2006	30 06 2006	936,440,080	1,180,720
07 07 2006	30 09 2006	985,726,400	2,073,739
01 10 2006	31 12 2006	1,181,885,256	1,141,992
01 01 2007	31 03 2007	1,124,959,590	1,516,554
01 04 2007	30 06 2007	1,423,141,650	7,388,564
01 07 2007	30 09 2007	1,391,516,280	1,685,929
01 10 2007	31 12 2007	1,375,703,595	7,350,709

AB DnB NORD Bankas share price and OMXV annual changes in 2005-2007

Reporting period	Share price			OMXV		
	Beginning of period, LTL	End of period, LTL	Change, pct.	Beginning of period, LTL	End of period, LTL	Change,%
2005	185.00	400.00	116.22	293.44	448.76	52.93
2006	400.00	436.00	9.00	448.76	492.65	9.78
2007	436.00	435.00	-0.23	492.65	514.23	4.38

MACROECONOMIC OVERVIEW

Recent years have seen a solid development of the national economy. The annual change in value added (at constant prices) in 2006 was 7.7 percent. In 2007 the output rose by 8.8 percent year-on-year. The drivers of sustained growth have shifted: export development has slowed down but domestic demand has strengthened over the past two years, as a result of brisk growth in domestic trade, construction, financial intermediation sectors. Export oriented sectors added to economic expansion quite substantially as well.

Buoyant growth of earnings has been followed by spiraling inflation. In 2006, the consumer price index rose 4.5 percent and the annual inflation reached 8.1 percent in December 2007, the highest level since 1998. A vicious circle emerged where a swift increase in demand has impaired competition and created an environment of rising production prices and company profits. Fast growth of wages, underpinned by severe labour force shortages, has fuelled excessive demand and, hence, inflationary pressure, and has been a key factor curbing accelerating emigration. Wage growth, which has been outstripping productivity gains during the past years, is hazard to the competitiveness of Lithuanian companies in foreign markets.

Macroeconomic stability is also under pressure as both the foreign trade deficit and current account deficit (CAD) have reached record highs, owing to a disproportionate increase in consumption when compared to export levels. In 2007, the CAD was around 14 percent of GDP. As deficits are basically covered by foreign loans, Lithuania's gross external debt has surged from 65 percent of GDP at the end of 2006 up to 73% by the end of 2007.

In the beginning of 2007 lending gathered momentum and the trend remained robust until the year-end. The volume of loans granted to households reached LTL 23.5 billion in December, an increase of nearly 60 percent year-on-year. The borrowing fever and forward-looking consumption remain important sources of economic development.

Economic growth is expected to flatten slightly in 2008, with an annual GDP increase of 7 percent. Earnings will continue to rise strongly, while inflation will likely to surge to double-digits in the first half of the year, weakening to 6–7 percent by 2008-end. The budget deficit will deepen further close to 1 percent of GDP, and the current account deficit will comprise 15 percent. During 2008, the borrowing rate should gradually decline and the real estate prices should ease, with price slumps in some segments of the market.

Lithuania: Key macroeconomic indicators

				Lithuania
Year	2005	2006	2007	2008 F
Real GDP, annual change, %	7.9	7.7	8.8	7.0
Current account deficit, % of GDP	7.2	10.8	13.7	15.0
Inflation (CPI), annual change, %[1])	2.7	3.7	8.1	6.5
Average gross monthly earnings, annual change, %[1])	10.9	19.1	18.5	15.0
Unemployment, LFS, % [1])	7.1	4.8	4.2	3.8
Average annual interest rates on loans in national currency, % [1])	4.7	5.4	8.6	8.0
Fiscal balance, % of GDP	-0.5	-0.6	-1.0 F	-1.0

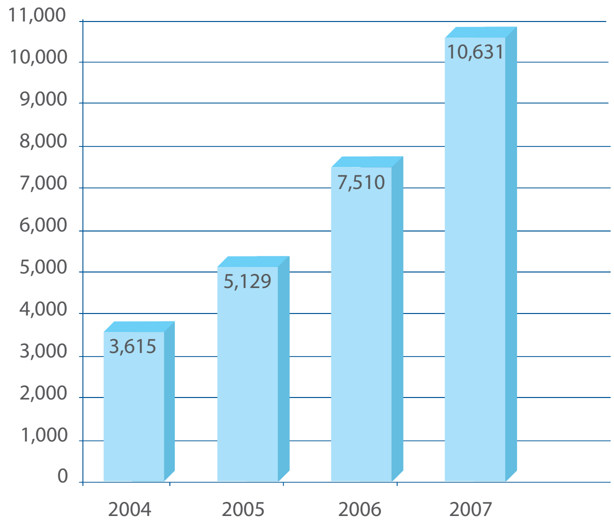
F – forecast, as of January 2008
1) – End of period

THE YEAR OF DYNAMIC GROWTH

2007 was another year of dynamic growth for *AB DnB NORD Bankas Group*. For the first time in the Group's history assets under the Group's management topped LTL 10 billion litas while its loan portfolio to individual customers and businesses passed LTL 4 billion mark each. The Group not only further consolidated its position in major market segments and earned the largest profit ever but also won recognition as the country's best bank.

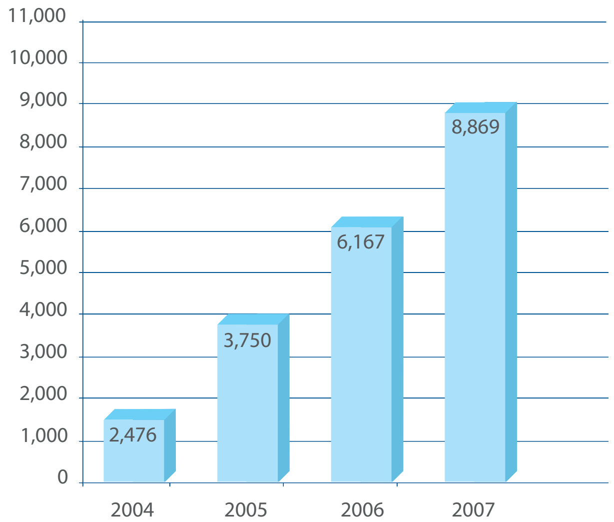
In the reporting year the Bank firmly held its position among the country's top three banking institutions. The total assets of the Group rose by LTL 3.7 billion or 47.5 percent year-on-year to LTL 11.4 billion as at the end of December. The Bank's asset growth outpaced the market growth and the Bank held 13.2 percent of the market in terms of assets as at the end of the reporting year according to Association of Lithuanian Banks' data.

Assets of AB DnB NORD Bankas, mio. LTL



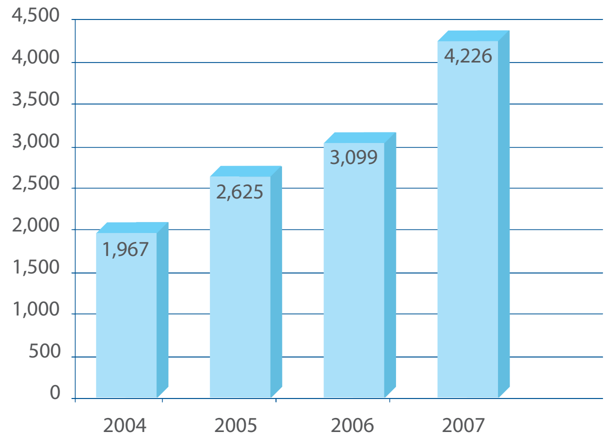
That fast asset rise was determined by the Group's rapid loan to customers portfolio growth which increased 50.4 percent year-on-year to LTL 8.8 billion. Loans granted to individual customers rose 66.1 percent year-on-year to LTL 4.2 billion while loan portfolio to businesses increased 36.4 percent to LTL 4.5 billion. The Bank held 15.3 percent of the market in terms of loans as at the end of the reporting year according to Association of Lithuanian Banks' data, i.e. its market share went up by 0.26 percentage point year-on-year.

Loan portfolio of AB DnB NORD Bankas, mio. LTL



Customers' deposits increased 36.1 percent over 2007 and amounted to LTL 4.2 billion at the end of the 2007. Over the reporting year individual deposits rose 21.8 percent and corporate deposits 51.0 percent. The Bank held 9.8 percent of the market in terms of deposits as at the end of the reporting year according to Association of Lithuanian Banks' data.

Deposit portfolio of AB DnB NORD Bankas, mio. LTL

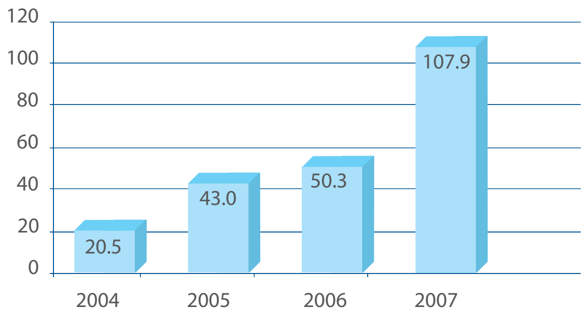


In 2007 the Group earned LTL 318.1 million in net interest, fee and commission income, that was 53.2 percent higher compared to 2006 result. Net interest income of LTL 259.1 million earned by the Group in 2007 makes the largest relative weight of 81.4 percent of net interest, fee and commission income. Net fee and commission income totalled LTL 59.0 million in 2007 and made 18.6 percent of the net interest, fee and commission income of the Bank. Compared with the end of 2006 net interest income rose 61.3 percent and the year-on-year increase of net fee and commission income represented 25.6 percent. The Group's income from operations with securities, derivatives and foreign currency in the reporting year made LTL 23.4 million compared with LTL 6.6 million in 2006.

The administrative and other operating expenses of the Group rose by LTL 50.0 million to LTL 196.6 million in 2007, the rise largely representing the planned investments in further upgrades of the Bank's IT systems, the rapid development of the banking products and services and fast business growth.

Over 2007 net profit of *AB DnB NORD Bankas* Group stood at LTL 106.9 million, which is 2.1 time higher compared with the 2006 result. The best financial result of *AB DnB NORD Bankas'* Group ever was achieved largely due to the increased loan portfolio to individuals and businesses, active performance on the investment products' market and continued efforts to improve operating efficiency as well as the loan portfolio quality. Favourable economic environment also made a positive impact on the results of the Group.

Net profit of AB DnB NORD Bankas, mio. LTL



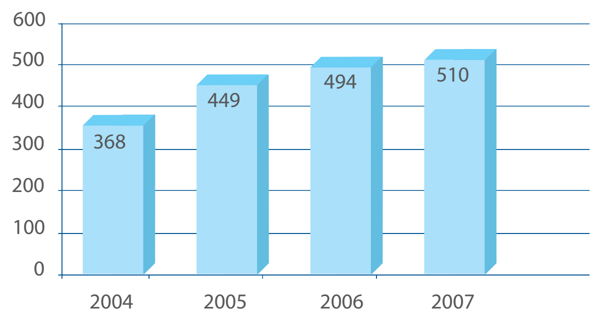
As at the end of 2007 the Group's return on equity (ROE) was 17.8 percent. The Group's cost/income ratio was 51.9 percent in 2007 compared with 62.1 percent in 2006. Earnings per share of the Group in 2007 stood at LTL 35.93 compared with LTL 19.8 the year before.

Year	2005		2006		2007	
	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	16.9	16.6	15.0	15.2	17.8	18.0
Cost/income ratio (percent)	68.1	67.7	62.1	60.9	51.9	50.5
Earnings per share (LTL)	20.25		19.80		35.93	

FOCUS ON CUSTOMER

AB DnB NORD Bankas boasts 561,000 customers, and increase of 16,000 over the year. Individual customers of the bank increased by 3.3 percent, passed 510,000 by year-end, in spite of the closure of a significant number of inactive accounts. Corporate customers numbered 51,000 at the end of 2007, with an increase of 27 percent in the large-size corporate customer segment.

Retail customers (in thousands)



Alongside solid business growth and increased operating efficiency during 2007, AB DnB NORD Bankas Group aimed to deepen customer commitment and loyalty by improving customer service quality through a variety of initiatives.

An Electronic Decision Support System in the areas of consumer loans and mortgages dramatically quickened and simplified the credit decision-making process.

AB DnB NORD Bankas signed a factoring portfolio insurance agreement with Coface Austria Kreditversicherung AG, allowing the bank to offer corporate customers a wider spectrum of factoring services, quicken decision making process and more efficiently manage trade credit risk. The bank also introduced Local Cash Pooling IT solution and Local Notional Cash Pooling.

The bank launched its first branded mortgage credit product with in-built interest rate collar named “Rate Ceiling” that helps protect customers from unforeseen interest rate spikes - a novel approach on Lithuanian market. The bank debuted a Global Equity Index Linked Investment Deposit, offering the possibility of earning a higher interest than regular deposits.

Upgrades to the Internet Banking system offered customers a faster and more user-friendly internet banking, state-of-art website design, a wider variety of on-line payment and service options, including the possibility of making a deposit or taking consumer credit, and enhanced data security measures.

The expanded Financial Consulting Program, a tool enabling the bank to establish long-term customer relationships focused around their specific needs, alongside a newly implemented Customer Relationship Management System, enables the bank to better identify and understand customers’ demands and requirements, and offer timely and personalized products and services.

Customer satisfaction also ran high during the year, with the annual customer satisfaction survey, carried out in December 2007, indicating 89 percent of the customers polled were satisfied with the bank’s service quality.

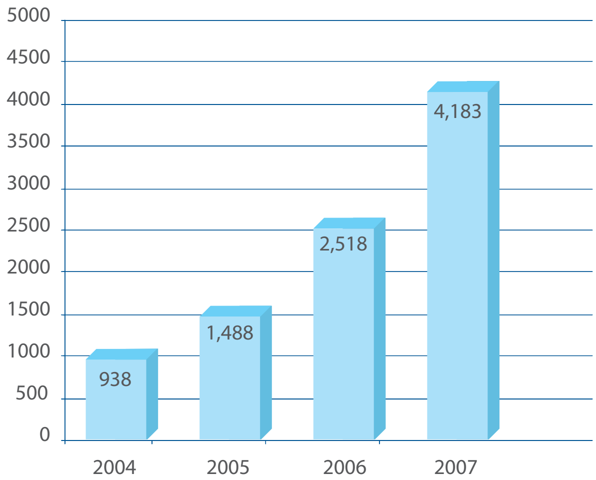
INDIVIDUAL CUSTOMERS

The Bank offers the following services to individual customers: bank accounts in Litas and foreign currencies, cumulative deposits in Litas and foreign currencies, term deposits in Litas and foreign currencies, universal deposits in Litas and foreign currencies, mortgage loans, consumer credits, private credits, local and international transfers, MasterCard and VISA payment cards of international organizations, acceptance of bank cheques and traveller‘s cheques (American Express, Thomas Cook, Swiss Bankers), cash exchange services, cash operations, individual safe lease services, financial brokerage services, electronic banking services, leasing and pension funds.

Thanks to rapidly growing business volume and continuous increase in operating efficiency in the reporting year, *AB DnB NORD Bankas* Group gained a perfect opportunity to invest even more into customer service quality and service culture. In the reporting year the Group consistently developed customer-centric approach and its efforts found recognition – the Bank was ranked as the Best bank of private customers in Lithuania by *Veidas* magazine.

In 2007 *AB DnB NORD Bankas* loan portfolio to individual customers increased by LTL 1.7 billion or 66.1 percent to LTL 4.2 billion. The Bank held 17.7 percent of the country's individual loan market as at the end of the reporting year. The Bank's consumer loan portfolio to individual customers rose 28.9 percent year-on-year to LTL 564.8 million. Mortgage loan portfolio saw a rise of 54.7 percent year-on-year and topped LTL 3.08 billion. Private credits made LTL 547.1 million as at the end of the year.

Loan portfolio of Infividuals, mio. LTL



In the reporting year the deposits and savings and investment products of individual customers in *AB DnB NORD Bankas* rose by 21.8 percent to LTL 1.92 billion at the year end. The Bank held 11.0 percent of the country's deposit, savings and investment market to individual customers as at the end of the reporting year.

In 2007 the Bank marketed new financial services and products and continued developing the existing ones:

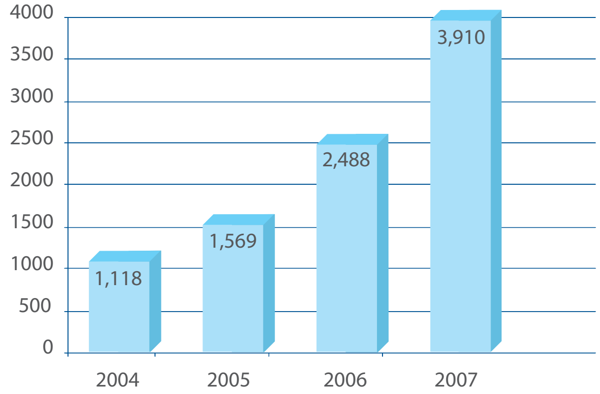
- launched an investment credit;
- launched a mortgage loan "Interest Rate ceiling";
- made improvements to term deposits via internet;
- offered a possibility of taking consumer loans via internet;
- automated the process of granting mortgage loans;
- made improvements to the application procedures for mortgage loans, private credits and express consumer credits;
- increased the value added to the customers who take a mortgage credit: updated the agreements with the partners participating in themortgage loan programme "+100 draugų" and updated the participant lists;
- organized product sales promotion campaigns for retail customers;
- activated the concluding of direct debit agreements and utility collection agreements with companies.

In the reporting year the Group served its customers through a nationwide Bank's network of 80 branches and sub-branches running the country's third largest customer service network. At the end of the reporting year the Group also served its customers through 154 the Bank's own ATMs and 296 ATMs of *SEB Bankas* according to the cooperation agreement. This made it Lithuania's largest ATMs network available for the Group's customers.

The number of customers using *AB DnB NORD Bankas* internet banking services increased by 34 percent in 2007 year on year to 228 thousand largely due to constant efforts to further improve user-friendliness of the system and its functionality, the upgrade work on both to be continued in 2008.

During the reporting year the Bank issued 74.4 thousand new payment cards. At the end of 2007 the payment cards issued by the Bank totalled 311 thousand. The average turnover of transactions made by payment cards issued by the Bank rose by 57.29 percent year-on-year to LTL 3.91 billion.

Payment cards turnover, mio. LTL



SMALL AND MEDIUM ENTERPRISES

In 2007, SME financing was one of the top priority activities of the Bank. During 2007, 2 814 small and medium sized business entities became customers of the Bank. Over the reporting period, the nominal value of the outstanding SME loans increased by LTL 459.4 million, or by 29 percent, whereas the nominal value of the SME deposit balnces increased by LTL 184.15 million, or by 24.31 percent.

The growth of the SME loan and deposit portfolio was influenced by:

- the sales of standard products (loans, credit lines, overdrafts) to SME;
- successfully initialized the development of the project of loans for modernization of apartment houses;
- the development of a SME service package and granting of a loyal customer status;
- the improvement of the SME rating system;
- the simplification of procedures (credit applications, applications for opening accounts and payment cards, etc);
- successfully continued the contribution of the Bank to the SME microcrediting project, which was developed by UAB "Investicijų ir verslo garantijos" as a fund administrator.

In the reporting year the Bank dedicated a lot of attention to corporate start-ups. A specialized service package is offered for these enterprises in cooperation with the partners of the Bank (UAB "Omnitel", UAB "Sonex" and UAB "Verslo Žinios"). In 2007, the Bank continued the cooperation with UAB "Investicijų ir verslo garantijos" and UAB "Žemės ūkio paskolų garantijos fondas", being one of the most active credit institutions, which offer SME loans with guarantees of the abovementioned institutions.

PARTNERS OF THE BANK

In 2007 the Bank was actively engaged in work with mediators who indirectly sell the retail products and services of the Bank to their own customers (both individual and corporate customers). The partners offered their customers to use the following products of the Bank: current accounts, investment business credits (except overdrafts, factoring), mortgage loans, express consumer credits, private credits, credit lines and term deposits, as well as informed their customers about the possibility of acquiring investment products and services offered by the Bank.

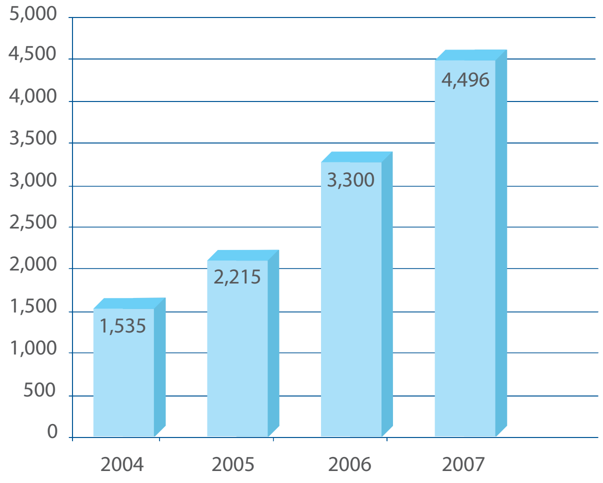
In 2007, the Bank signed cooperation agreements with 39 companies with good reputation operating successfully in the market and 14 individual persons. Over 2007, the Partners of the Bank attracted loans to individuals for LTL 139 million and loans to corporate customers for LTL 3 million.

CORPORATE BANKING

In 2007 *AB DnB NORD Bankas* performance in corporate banking sector was very successful. The Bank maintained its strong position in the market as a result of being fast and flexible decision maker.

During the reporting year the corporate loan portfolio of *AB DnB NORD Bankas* grew by LTL 1.2 billion or 36 percent to LTL 4.5 billion at par. According to the Association of Lithuanian Banks' data, *DnB NORD Bankas* held 13.9 percent of the country's corporate loan market.

Loan portfolio to corporate customers, mio. LTL



The loan portfolio grew rapidly in most developing and related segments such as real estate and rent, utility services and transport. The growth of loans in agriculture and manufacturing segments are largely attributed to increased financing from European Union structural funds to the sectors. The loan growth in other sectors is largely attributed to the country's economic growth. The structure of portfolio according to economical activities is disclosed in Financial statements for 2007, the section Financial risk management Article 1.9.

As at 31 December 2007 the corporate deposit portfolio stood at LTL 2.3 billion portfolio, an increase by LTL 775 million compared with the same period in 2006. According to the Association of Lithuanian Banks' data, *DnB NORD Bankas* held 12.1 percent of the country's corporate deposit market, i.e. its market share went up by 1.4 percentage points over the reporting year. In the reporting period especially fast rise was recorded in corporate term deposits (2 times). Increase in demand deposits (1.4 times) was affected by growth of economy, demand for working capital and investments, also the successful management of state and municipalities' budgets.

AB DnB NORD Bankas, in cooperation with leasing and investment management subsidiaries offered corporate customers a variety of solutions that meet borrowing, investment and settlement needs of companies. The Bank made beneficial offers not only for business development but also to the staff of corporate customers.

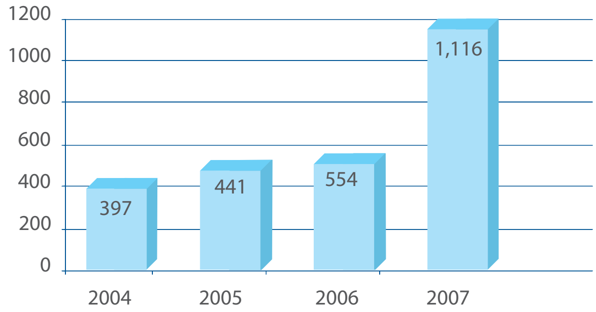
As the volume of factoring services has been growing rapidly in the reporting year *AB DnB NORD Bankas* signed the factoring portfolio insurance agreement with Coface Austria Kreditversicherung AG, which is part of one of the three largest groups of credit insurance companies world-wide – Coface France. That allowed *AB DnB NORD Bankas* to offer a wider spectrum of factoring services to Lithuania's businesses, speed up decision taking process and ensure more efficient management of the trade credit risk. As a result of the insurance agreement *AB DnB NORD Bankas* launched a service of international factoring without recourse to the seller.

INVESTMENT BANKING

AB DnB NORD Bankas investment banking activity includes trading in securities, liquidity management, funding arrangement for the bank and its subsidiary, full service brokerage services, operations with securities finance, financial solutions development for private and corporate customers including derivative and structured products, as well as corporate finance services, particularly mergers and acquisitions, fundraising and other services.

In 2007 *AB DnB NORD Bankas* was a leader in debt instrument market. As of 31 December 2007 the book value of debt securities issued by the Bank for public trading constituted TLTL 1,116,124.

Outstanding debt securities, mio LTL



AB DnB NORD Bankas has the largest market share in issuance of structured financial products. The value of equity and commodity linked notes offered for public trading in 2007 reached LTL 630,805,476.

In 2007 the bank became a member of Riga and Tallinn stock exchanges and a fourth largest player at Latvian stock exchange.

In 2007 the bank was increasingly active in foreign exchange market with relevant operations volumes growing faster than the market on average and market share increasing to 10 percent.

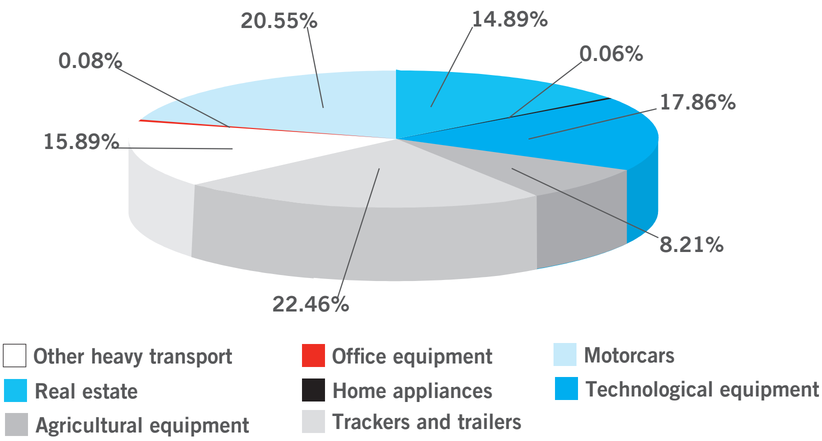
The bank's share on the currency forward agreements market reached 28 percent.

Subsidiaries

UAB DnB NORD Lizingas

UAB DnB NORD Lizingas that provides vehicle, equipment and real estate leasing, saw an increase of its leasing portfolio before provisions by 57.1 percent to LTL 756 million at the end of 2007.

UAB DnB NORD Lizingas portfolio structure by asset type 31 December, 2007



The company's total market share went up from 6.63 percent on 2006 to 7.2 percent as at the end of 2007. Its new cars market share increased from 5.3 percent to 6.5 percent during the period. By this ratio the company ranks third among the twelve members of the leasing association.

The number of signed contracts rose from 2 530 to 3 910 at the end of 2007. Return on equity (ROE) increased from 10.7 percent to 11.6 percent in 2007. Cost/income ratio at the end of 2007 compared to 2006 decreased from 49.6 percent to 41.1 percent. The provisions to the leasing portfolio ratio represented 0.26 percent as at 31 December 2007.

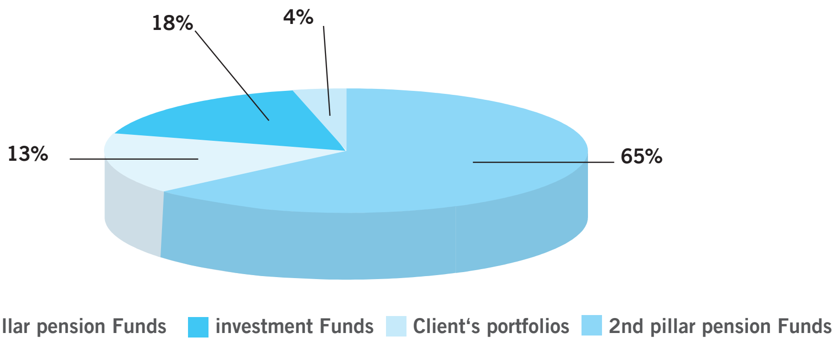
UAB DnB NORD lizingas has 4 representative offices in Lithuania's largest towns and also in Kaliningrad city, Russian Federation.

UAB DnB NORD Investicijų Valdymas

UAB DnB NORD Investicijų Valdymas is engaged in management of pension and investment funds.

In 2007 the assets under management of *UAB DnB NORD Investicijų Valdymas* rose by LTL 65.9 million or 65 percent and and totalled LTL 167.6 million. The company's net profit in 2007 stood at LTL 1.0 million.

Assets under management 31 12 2007



The performance of the funds as of 31 December 2007.

Name	Investment strategy in brief	Return per 2007, %
	Second pillar pension funds	
DnB NORD pensija 1	government bonds	2.54%
DnB NORD pensija 2	equities up to 25%	3.30%
DnB NORD pensija 3	equities up to 50%	3.89%
	Third pillar pension funds	
DnB NORD papildoma pensija, % [1])	equities up to 50%	3.17%
DnB NORD papildoma pensija 100	equities up to 100%	-3.87% (since inception 01 09 2006)
	Other investment funds	
DnB NORD pinigų rinkos fondas	short bonds and deposits	3.33%
DnB NORD obligacijų fondas	bonds	3.21%
DnB NORD akcijų fondų fondas	equities	9.29%

UAB DnB NORD Būstas

UAB DnB NORD Būstas is engaged in providing real estate brokerage services.

The company was registered with the Register of Legal Entities on 10 January 2007. The company started operations in March 2007 and carries out its activities in Vilnius, Kaunas, Klaipėda and Šiauliai – in the cities where the real estate market is the most active.

At the end of the reporting year *UAB DnB NORD Būstas* gained a strong position among major real estate brokerage companies in terms of objects offered for sale. In 2007 *UAB DnB NORD Būstas* entered into real estate deals at a value of LTL 30.6 million. More than 60 percent of all real estate sales were financed by *AB DnB NORD Bankas.*

RISK MANAGEMENT AND RATING

Over the reporting period risk management in *AB DnB NORD Bankas* aimed at assuring an acceptable return on equity pursuing the conservative policy of risk management. Risk-related activity of the Bank and the Group was strictly restricted by applying the systems of limits. Limitations are set and supervision thereof is executed on a centralized basis at the Group's level. The key principle of risk management is to segregate the function of all-type risk management from risk taking, i.e. from front-office units.

The risk structure of *AB DnB NORD Bankas* is traditional with a prevailing credit risk. The Bank also assesses and manages the liquidity, interest rate, foreign exchange rate and operational risks as well. Detailed information about risk management is provided in the Bank's 2007 financial statement.

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

Starting from 2008 *AB DnB NORD Bankas* calculates the capital adequacy ratio based on new rules prepared in accordance with Basel II requirements. The standardized approach was chosen for estimation of the credit, market and operational risks. *AB DnB NORD Bankas* will continue to improve the process of credit risk assessment and management in 2008 in order to use more advanced methods for calculation of capital requirement for credit risk in the future.

Having assessed growing profitability and assets quality of *AB DnB NORD Bankas* international ratings agency Fitch Ratings upgraded the Bank's individual issuer's rating to C/D from D on 17 August 2007 and affirmed IDR at high "A". Fitch Ratings also affirmed short-term rating F1 and support rating "1" to *AB DnB NORD Bankas.*

Credit rating

Agency	Long term borrowing rating/outlook	Short term borrowing rating	Support rating	Individual rating
Fitch Ratings	A / stable	F1	1	C/D

STRATEGY, PLANS AND FORECASTS

AB DnB NORD Bankas group's performance in 2007 created a solid ground to extend the success into 2008.

AB DnB NORD Bankas will continue to focus on development of efficient universal retail banking making use of its existing competitive advantages: fast decision making, customer centric approach, country-wide sales network, its size large enough for economies of scale in product development as well as its efficiency of back-office and risk management.

In retail *AB DnB NORD Bankas* will seek to outperform the market. An important role for the further business and efficiency growth will be assigned for the development of Electronic Decision Support System (EDSS), better visibility on the market, faster development of alternative distribution channels and prioritised development of product packages, supported by analytical Customer Relationship Management System (CRM). The planned IT investments will primarily focus on CRM system development as well as improvements in internet and mobile banking services, contact centre and IT service and data security management. *AB DnB NORD Bankas* investments in the branch network shall be used primarily to increase the presence of the group in the country's top five cities.

AB DnB NORD Bankas goal for 2008 is to maintain strong position in corporate and investment banking through further development of long-term partnership with corporate customers, increasing operating efficiency and profitability per customer. Corporate customers will be served in a personalised manner ensuring fast and flexible decision making.

The planned growth in treasury and investment banking shall be ensured through focus on innovation and offering of higher margin products by applying an open-platform solution while moving most of the standard products to internet channels.

In 2008 *AB DnB NORD Bankas* will continue implementation of unified IT platform, a very important project that was started in early 2007 together with all banks of *DnB NORD* Group. The new core banking system will provide a strong backbone supporting the continued growth of the group for the next 10 years, it includes possibility to share products, processes and resources as well as increased "time to market" and economy of scale. Unified IT solution will be basis for further development of international cash management products allowing customers to manage their cross-board funds much easily and effectively.

Presumed that the Lithuanian banking and financial markets will not be exposed to any substantial positive or negative changes, in 2008 *DnB NORD Bankas* Group plans to earn a net profit by about a fifth higher compared to the 2007 result.

STAFF IS THE BANK'S STRENGTH AND ADVANTAGE

The ability of the bank's professional and dedicated staff to effectively deliver high quality service to customers is a key measure of competitiveness. A unified Human Resource Management Policy in 2007, under the slogan "We can do more!" underlined efforts to continually develop not only the skills and competences of employees, and reinforce a proactive attitude centered on individual responsibility, team spirit, and the achievement of results.

AB DnB NORD Bankas created new jobs, bringing the total number of employees in the group to 1,223.

as of 31 December 2007. The number of *AB DnB NORD Bankas* Group employees averaged 1,160 in the reporting year. The average salary in ther Group rose to LTL 3,245 from LTL 2,750 the year before. The increase of the number of the Group employees reflected business growth, development of branch network and establishment of the new subsidiary *UAB DnB NORD Būstas*.

Number of employees and salary

	31 12 2004	31 12 2005	31 12 2006	31 12 2007
Number of staff in the Bank	1,001	1,030	1,044	1,162
Number of staff in the Group	1,027	1,065	1,086	1,223
Average salary in the Group in LTL	2,530	2,560	2,750	3,245

The strong focus on human resources over the year resulted in an increase in the employee satisfaction index by 30 percent for the year. The bank was named among the most desirable employers in Lithuania and was ranked the 4th most attractive workplace for students.

AB DnB NORD Bankas further developed training programs and self-learning tools, taking a case-based approach to transmit organizational knowledge around the group. Seminars were held to share experience and explore area for improvement, a mentorship program pairing young and experienced managers for the purposes of coaching, knowledge sharing and problem solving was began, and a mystery shopper program enabled the bank to better understand where customer service could be strengthened.

At year-end, a comprehensive survey for top and middle management of *AB DnB NORD Bankas* Group was conducted, identifying the strengths and areas for improvement. A newly implemented internet-based system has enabled 'on-line' job application, while offering current employees another avenue for expressing professional desires.

Staff of the bank worked closely with colleagues from across the *DnB NORD* group countries, and with parent banks *DnB NOR* and *NORD/LB*, in numerous areas, including risk management and methodology, relationship management, cross-border products and general product development (such as international cash management), and marketing, branding and communication.

AB DnB NORD Bankas group applies the Code of Ethics to all employees. We believe that high ethical standards of each employee are inseparable part of corporate culture and are a key element for long lasting success.

SUPERVISORY COUNCIL AND MANAGEMENT BOARD

The Bylaws of *AB DnB NORD Bankas* provide that the bodies of the Bank are the following: General Meeting of Shareholders, Supervisory Council, Management Board and Chief Executive Officer (President). Detailed desription of functions of each of the bodies as well as detailed information about position, office term, education, professional qualification and management competence of each the member of the Supervisory Council is provided in the audited consolidated report of the bank.

As of 31 December 2007 the Supervisory Council of *AB DnB NORD Bankas* consisted of eight members. Two of them Viktoras Valentukevičius and Antanas Zabulis are independent members of the Supervisory Council. All members of the Supervisory Council are elected until the end of its term which expires on 23 March, 2010.

Supervisory Council:

Sven Herlyn (born 1957)

Started the new term of office as Chairman of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. He has held the position of CEO, *DnB NORD Copenhagen* since 2006.
Mr. S. Herlyn formerly held the position of executive vice-president at *Norddeutsche Landesbank Girozentrale*, Hannover. He is a graduate of University Hamburg.

No shareholdings in *AB DnB NORD Bankas.*

Dr. Juergen Allerkamp (born 1956)

Started the new term of office as a Member of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. Since 1997 Dr Allerkamp has been a member of the Management Board at *Norddeutsche Landesbank Girozentrale*. He graduated from the universities of Göttingen, Münster, Lausanne, holds a degree of Doctor of Law.

No shareholdings in *AB DnB NORD Bankas.*

Viktoras Valentukevičius, (born 1954)

Independent member of the Supervisory Council, started the new term of office of the Member of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. Since 2002 V. Valentukevičius has been the general manager of AB Lietuvos Dujos. Previously he held different positions in ministries of the Republic of Lithuania. He is a graduate of Vilnius University and the Institute of International Relations of Vilnius University.

No shareholdings in *AB DnB NORD Bankas.*

Antanas Juozas Zabulis (born 1962)

Independent member of the Supervisory Council, started the new term of office of the Member of the Supervisory Council of *AB DnB NORD Bankas* on 23 03 2006. Since 2000 he has been the President of *UAB Omnitel*. Previously he held different managerial positions in *UAB Statoil Lietuva*. He is a graduate of Vilnius University, Bossard University Paris, International Business School of Vilnius University.

No shareholdings in AB DnB NORD Bankas.

Torstein Hagen (born 1967)

Started the term of office of the Member of the Supervisory Council of *AB DnB NORD Bankas* on 12 05 2006. Since 2005 he has been CCO at *DnB NORD Copenhagen*. Previously he held different positions at *DnB* and *NORD/LB*. He has BMA of Oslo School of Business and Economics, and MBA of University of South Florida.

No shareholdings in *AB DnB NORD Bankas.*

Georg Christoph Schulz (born 1960)

As a Member of the Supervisory Council of *AB DnB NORD Bankas* elected on 23 March 2007, the term of office of started from 24 May 2007. Since 2006 he has been a Member of the Management Board, Norddeutsche Landesbank Girozentrale. He was formerly a member of the Boards at German savings banks. He was educated at German Academy of Savings Banks.

No shareholdings in *AB DnB NORD Bankas.*

Jarle Mortensen (born 1963)

As a Member of the Supervisory Council of *AB DnB NORD Bankas* he was elected on 23 March 2007, the term of office started from 24 May 2007. Since 2004 he has been Executive vice-president at *DnB NOR*. Previously he held managerial positions at *Sparebanken NOR* and *DnB NOR Bank ASA*. He was educated at Norwegian School of Management.

No shareholdings in *AB DnB NORD Bankas.*

Pal Skoe (born 1950)

As a Member of the Supervisory Council of *AB DnB NORD Bankas* he was elected on 23 March 2007, the term of office started from 04 June 2007. Since 2005 he has held the position of Division Manager at *DnB NOR*. Previously he had various managerial positions at DnB. Mr Skoe has a diploma in business administration of University of Lausanne.

No shareholdings in *AB DnB NORD Bankas*.

Four meetings of the Supervisory Council were held during the reporting year. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings, except Mr Georg Christoph Schulz whose term of office started on 24 May 2007, and who in the financial year participated in less than half of the meetings of the Supervisory Council.

Management Board

On 31 December the Management Board of *AB DnB NORD* Bankas consisted of six members.

Werner Heinz Schilli
Chairman of the Management Board and President.

Werner Schilli (born 1954) is the bank's Chief Executive Officer.
Werner Schilli has been working in banking industry since 1970. For ten years he held office of Chairman of the Management Board at Frankfurt (Oder) Savings Bank. Werner Schilli has started his career in *AB DnB NORD Bankas* in 2002. He was educated at the Institute for Municipal Savings Banks and Credit Basis, Bonn. H eis in charge of administration of *AB DnB NORD Bankas.*

No shareholdings in *AB DnB NORD Bankas*.

Dr. Vygintas Bubnys
Deputy Chairman of the Management Board and Executive Vice-president.

Dr. Vygintas Bubnys (born 1958) is in charge of corporate and investment banking in *AB DnB NORD Bankas*. Vygintas Bubnys is a Doctor of social sciences. Dr. Vygintas Bubnys has been working in Lithuania's financial sector since 1990 and for six years he chaired the Management Board of Lietuvos taupomasis bankas. Dr. Vygintas Bubnys has been working in *AB DnB NORD Bankas* since 2000. He graduated from Vilnius University, holds PhD.

No shareholdings in *AB DnB NORD Bankas*.

Gundars Andžans
Member of the Management Board.

Gundars Andžans (born 1961) is in charge for strategic management of IT systems and organisation solutions. He is also a member of Management Board of *DnB NORD Banka* in Latvia. Gundars Andžans started his career in DnB NORD banking group in 2005. He is a graduate of Riga Technical University.

No shareholdings in *AB DnB NORD Bankas.*

Alditas Saulius
Member of the Management Board and Executive Vice-president.

Alditas Saulius (born 1970) is in charge of credit risk management and settlements. Alditas Saulius started his career in 1994 in Bank of Lithuania. He has been working for *DnB NORD banking* group since 2001. He is a graduate of Vinius University and VU International Business School.

No shareholdings in *AB DnB NORD Bankas.*

Dr. Jekaterina Titarenko
Member of the Management Board and Executive Vice-president.

Dr. Jekaterina Titarenko (born 1974) is in charge of accounting, controlling and financial risk control. Dr. Jekaterina Titarenko has been working in *AB DnB NORD Bankas* since 2003 and has been acting as the Head of Financial Risk Department. Jekaterina Titarenko is a Doctor of Social Sciences. Prior to joining *DnB NORD Bankas* Dr. Jekaterina Titarenko worked in the Credit institutions supervision department of the Bank of Lithuania for more than seven years. She holds PhD at Vilnius University.

No shareholdings in *AB DnB NORD Bankas.*

Sigitas Žutautas
Member of the Management Board and Executive Vice-president.

Sigitas Žutautas (born 1974) is in charge of retail banking. Sigitas Žutautas started his carrier in *AB DnB NORD Bankas* in 2003 acting as the head of the Internal audit department. He worked as the head of Panevėžys Business centre of *AB DnB NORD Bankas* in 2006. Prior to joining the bank Sigitas Žutautas worked for international audit company PricewaterhouseCoopers. He holds a MBA (accounting and audit) and a BSc (economics/banking) at Vilnius University.

No shareholdings in *AB DnB NORD Bankas*.

AUDIT COMMITTEE

The Bank's Audit Committee is established by the Supervisory Council of the Bank. During the year 2007 three meetings of the Bank's Audit Committee were held.

As at the end of 2007 the Audit Committee consisted of four members:
Jan Kuhnel (the Chairman)
Dr. Jurgen Allerkamp
Jan Kuhnel
Jarle Mortensen.

The main activities of the Audit Committee are supervision of functioning of the internal control system of the Bank, approval of the annual audit plan for the Internal Audit Department and supervision of the audit process, review of the conclusions and recommendations of the external auditor with regard to the auditing procedure and accounting policy, determination of the risk areas of the Bank's operations to be audited by the Internal Audit Department and by the external auditor, supervision of compliance of the Bank's performance with the laws and regulations, Bylaws of the Bank and the strategy and operating policy of the Bank.

BANK AND SOCIETY

AB DnB NORD Bankas, that seeks to be partner not only in business but also in social life, supports cultural activities, sports, education and selected organizations in local communities and on a national level. *AB DnB NORD Bankas'* sponsorship is aligned with the overall *DnB NORD* Group sponsorship strategy: to emphasise the bank's values – dynamics, simplicity, team spirit and reliability - and promote priority focus areas of the bank.

AB DnB NORD Bankas is a long-term sponsor of the Lithuania's National Men's Basketball team. Given basketball is analogous to a second religion in Lithuania, this is seen as an incredible sponsorship opportunity perfectly aligned with the bank's core values of team spirit and dynamics.


AB DnB NORD Bankas sponsorship focus areas also include the arts and education. The Group is the main sponsor of Kaunas State Musical Theatre, partner of the National Philharmonics in Vilnius, and a sponsor of the Thomas Mann Music and Poetry Festival in Nida.

In 2007 *AB DnB NORD Bankas* and ISM University of Business and Economics began a partnership aimed at sharing skills and experiences and bringing education closer to business. Both institutions have a common ambition of becoming the most dynamic institutions in respective areas, and aim to ultimately enhance the competitiveness of the Lithuanian economy.

The Bank is also proud to participate in a charity project in partnership with country's first lady Alma Adamkienė Charity Fund, supporting talented children in rural areas.

Sponsorship marketing in *DnB NORD Bankas* is aimed to generate networking opportunities and ultimately revenue generation through increased brand relevance and awareness to targeted consumer and business segments. Sponsorships are selected strategically, and implemented in a focused and consistent manner.

In the reporting year the Bank was involved in the activities of the "Window to the Future" alliance. Since 2006 this organisation has been implementing a EU Project aiming at providing computer literacy and internet fundamentals to 50 000 Lithuanian citizens. Partnership in the alliance that integrates private organizations and state institutions is in line with social responsibility attitude of the Group. The bank is proud to contribute to the development of information society in Lithuania. In January 2007 the Bank joint a program of electronic signature break-through aiming at massive usage of safe electronic signature infrastructure in Lithuania in three years.

President W. Schilli and Dr. V. Kundrotas, Rector of ISM University of Business and Economics signing the partnership agreement.

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Fax (+370 5) 2393783
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VAT payer code LT243857314
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Fax (+370 5) 239 3031
e-mail lizingas@dnbnord.lt
www.dnbnordlizingas.lt

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AB DnB NORD BANKAS. FINANCIAL STATEMENTS. FOR THE YEAR ENDED 31 DECEMBER 2007

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E-mail vilnius@lt.pwc.com
www.pwc.com/lt

Independent auditor's report

To the Shareholders of the AB DnB NORD Bankas

Report on the financial statements

We have audited the accompanying consolidated financial statements of AB DnB NORD Bankas and its subsidiaries (the 'Group') and the financial statements of AB DnB NORD Bankas (the 'Bank') set out in pages 52 - 131 which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 December 2007 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in European Union.

PRICEWATERHOUSECOOPERS

Report on other legal and regulatory requirements

Furthermore, we have read the Annual Report for the year ended 31 December 2007 set out on pages 5 – 51 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2007.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rimvydas Jogėla
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
19 February 2008

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT

1. Reporting period covered by this report

This 2007 Consolidated Annual Report covers the period from 1 January 2007 to 31 December 2007.

2. The issuer and its contact details

Name of the Issuer	*AB DnB NORD Bankas*
Legal status	Joint stock company
Date and place of registration	Registered with the Bank of Lithuania on 13 September 1993, registration No. 29
Company code	112029270
Office address	J. Basanavičiaus str. 26, Vilnius, Republic of Lithuania
Telephone number	(+370-5) 239 34 44
Fax number	(+370-5) 213 90 57
E-mail	info@dnbnord.lt
Website	www.dnbnord.lt

3. Main activities of the issuer

AB DnB NORD Bankas (hereinafter referred to as "the Bank" or "the Issuer", or "AB DnB NORD Bankas") is a universal commercial bank that provides banking services to private and corporate customers. *AB DnB NORD Bankas* is a member of Denmark-based DnB NORD banking group which was established by the Norway's largest bank DnB NOR ASA and North Germany's largest bank Norddeutsche Landesbank Girozentrale (NORD/LB).

As of 31 December 2007 *AB DnB NORD Bankas Group* (hereinafter referred to as "the Group") in Lithuania consisted of *AB DnB NORD Bankas* and its subsidiaries *UAB DnB NORD Investicijų Valdymas*, *UAB DnB NORD Lizingas* and *UAB DnB NORD Būstas.*

AB DnB NORD Bankas is a credit institution holding a licence for and is engaged in acceptance of deposits and other repayable funds from unprofessional market players and lending, as well as provision of other financial services, and assumes the risks and liabilities related thereto. The Bank is engaged in the activities of commercial banks (activity code according to the Classificator of Economic Sectors – 65.12.10).

The Bank shall provide the following financial services:

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

4. Structure of the authorized capital of the Bank

As of 1 June 2007, when the amended Bylaws of AB DnB NORD Bankas were registered with the Register of Legal Entities, the authorized capital of the Bank amounts to LTL 363,691,755 (three hundred sixty-three million six hundred ninety-one thousand seven hundred and fifty-five) and is divided into 3,162,537 (three million one hundred sixty-two thousand five hundred thirty-seven) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

From 20 October 2006 until 1 June 2007 the amendments to the Bylaws of AB DnB NORD Bankas were registered with the Register of Legal Entities in relation to the authorized capital of the Issuer amounting to LTL 311,735,790 (three hundred eleven million seven hundred thirty-five thousand seven hundred and ninety) and divided into 2,710,746 (two million seven hundred ten thousand seven hundred forty-six) ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

On 31 December 2007 the share capital of AB DnB NORD Bankas consisted of:

Type and class of shares	ISIN code of securities	Number of issued shares	Nominal value per share, LTL	Aggregate nominal value, LTL	Share in authorized capital, percent
Ordinary registered shares	LT0000100174	3,162,537	115	363,691,755	100.00

The entire authorized capital of *AB DnB NORD Bankas* is paid up and no restrictions apply to the shares of the Bank as to their disposal. AB *DnB NORD Bankas* has not issued any convertible securities.

All the shares of the Issuer are issued for public trading on its own (i. e. neither through the Stock Exchange nor using brokerage services).

On 31 December 2007 *AB DnB NORD Bankas did not own its own shares*. Over the reporting year *AB DnB NORD Bankas* neither acquired nor sold its own shares. Over the reporting year *AB DnB NORD Bankas* did not transfer nor acquire the shares of its subsidiaries, except for UAB DnB NORD Būstas, which was incorporated on 10 January 2007 and 100 percent of shares of which were acquired by AB DnB NORD Bankas.

No restrictions other than those provided by the legal acts apply to the securities issues of *AB DnB NORD Bankas* and there are no requirements to receive approval from the Issuer or other holders of securities.

5. Shareholders

On 31 December 2007 there were 1,013 shareholders in *AB DnB NORD Bankas.*

On 31 December 2007 the following shareholders of the Bank held more than 5 percent of the registered share capital of LTL 363 691 755:

Shareholder	Office address	Type of the company	Code	Number of ordinary registered shares	Share of the authorized capital held and number of votes, percent	
					Owned	With associates
Bank DnB NORD A/S	Dampfaergevej 28, 2100 Copenhagen, Denmark	Bank	28691947	2,946,061	93.15	93.15
Customers of Skandinaviska Enskilda Banken	Sergels Torg 2, Stockholm, Sweden	Bank customers	502032-9081	181,705	5.75	5.75

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

On 31 December 2007 other individuals and legal entities had 34,771 ordinary registered shares of the Bank. That made 1.1 percent of the authorised share capital of the Issuer.

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

- To receive a share of the profit of the Bank (dividend);
- To receive a share of the assets of the Issuer in the event of liquidation;
- To receive shares free of charge when the authorised capital is increased from the Bank's own funds, except in the events stipulated in laws;
- In case the shareholder is a natural person, to devise and bequeath all or any part of the shares to one or several persons;
- To sell or otherwise transfer all or any part of the shares to the ownership of other persons in the procedure and under the conditions prescribed in laws;
- To exercise the pre-emption right in acquisition of the shares or convertible bonds issued by the Issuer unless the General Meeting decides to withdraw the pre-emption right from all the shareholders in the procedure prescribed in laws;
- To lend to the Issuer in the manner prescribed in laws; however, when borrowing from its shareholders, the Issuer shall not pledge its assets to the shareholders. When the Issuer borrows from a shareholder, the interest shall not be higher than the average interest rate offered by commercial banks of the place of residence or business of the lender effective on the date of conclusion of the loan agreement. Thus the Issuer and the shareholders shall be prohibited from negotiating a higher interest rate;
- Other property rights stipulated in laws.

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

- To participate in the General Meetings of Shareholders;
- To cast the votes granted by the shares held in the General Meetings of Shareholder;
- To receive the information about the Bank to the extent specified in the Law on Companies;
- To appeal to the court for the compensation of the damage suffered by the Bank due to the failure to perform the obligations of the President and the Members of the Management Board of the Bank stipulated in laws and herein, or to perform them duly, and in other cases stipulated in laws.
- Other non-property rights stipulated in laws.

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

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

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

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

On 31 December 2007 the Issuer had no significant arrangements that would be enforced, changed or terminated as a result of the change in the Issuer's control with the exception of those named below:

(I) ISDA Master Agreement with UBS Limited dated 13 January 2006, which provides that any transactions between the parties within the framework of this agreement may be terminated if Norddeutsche Landesbank Girozentrale and/or DnB NOR (separately or jointly) directly or indirectly cease to retain beneficial ownership of:

(1) at least 51 percent of the shares issued by the Issuer; and
(2) such amount of the shares and/or other securities which entitles the party to elect a majority of the Issuer's Supervisory Council in case the amount of the shares and/or other securities does not correspond to the amount specified in paragraph (1); and
(3) such amount of the shares and/or other securities which entitles the party to have a majority of the voting rights at the Issuer's meeting of shareholders in case the amount of the shares and/or other securities does not correspond to the amount specified in paragraph (1) or (2).

(II) ISDA Master Agreement with UBS AG dated 13 January 2006, which provides that any transactions between the parties within the framework of this agreement may be terminated if Norddeutsche Landesbank Girozentrale and/or DnB NOR (separately or jointly) directly or indirectly cease to retain beneficial ownership of:

(1) at least 51 percent of the shares issued by the Issuer; and
(2) such amount of the shares and/or other securities which entitles the party to elect a majority of the Issuer's Supervisory Council in case the amount of the shares and/or other securities does not correspond to the amount specified in paragraph (1); and
(3) such amount of the shares and/or other securities which entitles the party to have a majority of the voting rights at the Issuer's meeting of shareholders in case the amount of the shares and/or other securities does not correspond to the amount specified in paragraph (1) or (2).

(III) ISDA Master Agreement with Calyon dated 15 November 2007, which provides that any transactions between the parties within the framework of this agreement may be terminated if DnB NOR Bank ASA, Norddeutsche Landesbank Girozentrale and/or Bank DnB NORD A/S (jointly or separately) directly or indirectly cease to hold 51 percent of the shares issued by the Issuer bearing voting rights.

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

7. Information on securities listed on regulated markets

AB DnB NORD Bankas shares are admitted to the Additional Trading List on Vilnius Stock Exchange. ISIN code of the Issuer's shares is LT0000100174, ticker – NDL1L.

As of 31 December 2007 the number of shares admitted to the Additional Trading List on Vilnius Stock Exchange was 3 162 537 (three million one hundred sixty-two thousand five hundred and thirty-seven). All shares are ordinary registered shares with LTL 115 (one hundred and fifteen) par value each.

AB DnB NORD Bankas stock capitalization and turnover in 2005-2007

Reporting period		Capitalization, e-o-p, LTL	Turnover, LTL
Beginning	End		
01 01 2005	31 03 2005	513,465,250	7,548,207
01 04 2005	30 06 2005	605,888,995	76,834
01 07 2005	30 09 2005	1,108,942,200	294,744
01 10 2005	31 12 2005	985,726,400	1,005,896
01 01 2006	31 03 2006	938,953,682	2,080,660
01 04 2006	30 06 2006	936,440,080	1,180,720
07 07 2006	30 09 2006	985,726,400	2,073,739
01 10 2006	31 12 2006	1,181,885,256	1,141,992
01 01 2007	31 03 2007	1,124,959,590	1,516,554
01 04 2007	30 06 2007	1,423,141,650	7,388,564
01 07 2007	30 09 2007	1,391,516,280	1,685,929
01 10 2007	31 12 2007	1,375,703,595	7,350,709

AB DnB NORD Bankas share price and OMXV annual changes in 2005-2007

Reporting period	Share price			OMXV		
	Beginning of period, LTL	End of period, LTL	Change, pct	Beginning of period, LTL	End of period, LTL	Change,%
2005	185.00	400.00	116.22	293.44	448.76	52.93
2006	400.00	436.00	9.00	448.76	492.65	9.78
2007	436.00	435.00	-0.23	492.65	514.23	4.38

As of 31 December 2007 the following debt securities of *AB DnB NORD Bankas* were listed on regulated markets:

Name of securities (ISIN code)	Regulated market	Number of securities	Nominal value per unit	Aggregate nominal value	Maturity
4.3 percent fixed rate note issue No. 1/2007 (LT0000401374)	Vilnius Stock Exchange list of debt securities	458 875	100 (LTL)	45,887,500 (LTL)	07 02 2008
Registered fixed rate notes with 3.25% interest (LT0000403065)	Vilnius Stock Exchange list of debt securities	500 000	100 (LTL)	50,000,000 (LTL)	17 03 2008
4.33 percent fixed rate note issue No.1 (LT0000403388)	Vilnius Stock Exchange list of debt securities	250 000	100 (LTL)	250,000,000 (LTL	26 09 2009
Fixed rate note issue No. 2/2007 (LT0000401408)	Vilnius Stock Exchange list of debt securities	295 018	100 (LTL)	29,501,800 (LTL)	25 05 2008
Fixed rate note issue No. 3/2007 (LT0000401457)	Vilnius Stock Exchange list of debt securities	268 817	100 (LTL)	26,881,700 (LTL)	20 07 2008

Securities of the other Issuer‘s Group companies are not traded on regulated markets.

The Issuer is engaged in public trading brokerage activities; relevant transactions are performed by the Investment Banking Departments of the Bank.

8. Main characteristics of debt securities issued for public trading

As of 31 December 2007 the book value of debt securities issued by the Issuer for public trading constituted TLTL 1,116,124.

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

The main characteristics of the debt securities issued by the Issuer are provided in annex No 1 of this consolidated annual report.

9. Information on relevant agreements with related parties

AB DnB NORD Bankas has extended to subsidiary UAB DnB NORD Lizingas credit limit of LTL 68.8 million with an outstanding credit of LTL 58.6 million as of 31 December 2007. The Bank has also extended guarantees for LTL 500.8 to the subsidiary. Other information on outstanding balances and income/expences from transactions with related parties as of 31 December 2007 is provided in Note 33 of the Bank’s 2007 financial statements.

10. Major events over the reporting period

On 10 January 2007 the state enterprise Centre of Registers registered *UAB DnB NORD Būstas*, a subsidiary of *AB DnB NORD Bankas*, providing brokerage services on the real estate market.

On 11 January 2007 the Lithuanian Securities Commission approved the Base Prospectus on LTL 500,000,000 nominal value notes. Based on this Prospectus the Bank has been entitled to issue its securities not only in Lithuania but also on foreign markets.

On 20 February 2007 *AB DnB NORD Bankas* completed placement of a new issue of ordinary registered shares based on the Share Issue Prospectus approved by the Lithuanian Securities Commission on 25 January 2007 (approval certificate No. 4R-6). During the two stages of share placement the entire issue of 451,791 ordinary registered shares was sold. The nominal value of subscribed shares amounts to LTL 51, 955,965. After selling of one LTL 115 par value ordinary registered share for the set issue price of LTL 365 the total price of the Bank’s share issue equals LTL 164 903 715.

The shareholders approved the consolidated annual report of the Bank’s Group for 2006, financial reports of 2006 as well as the Bank’s profit distribution at the Ordinary General Meeting of Shareholders of *AB DnB NORD Bankas* on 23 March 2007. It was resolved to reduce the fixed assets revaluation reserve by the amount of LTL 44 thousand representing disposed of or fully depreciated assets and to include that amount in the accumulated reserve. It was decided to transfer the Bank’s net profit of 2006 – in the amount of LTL 56.218 million – to the Bank’s distributable profit equalling LTL 61.996 million. It was resolved to use the distributable profit share, i.e. LTL 3.1 million, for formation of required reserves and to carry forward the remaining undistributed profit share, i.e. LTL 58.896 million, to the next financial year. Also, it was resolved to pay out tantiemes to the Supervisory Council members from accrued expenses of 2006, which equals LTL 116,532. A resolution to elect the audit company “PricewaterhouseCoopers” as an auditor for the annual financial reports for the financial year of 2007 was adopted at the Meeting. The Meeting of Shareholders resolved to approve the amendments to the Bylaws of the Bank in relation to increasing of the number of the Supervisory Council members from 7 to 8. Considering that the Supervisory Council members Mr. Peter-Juergen Schmidt and Mr. Aasmund Skaar resigned from the position of the Supervisory Council member from 23 March 2007 it was resolved to elect Mr. Georg Christoph Schulz (born 1960, Member of the Management Board of the German bank Norddeutsche Landesbank Girozentrale (NORD/LB) and Mr. Jarle Mortensen (born 1963, Executive Vice President of DnB NOR Bank ASA) as the Supervisory Council members until expiry of the term of office of the current Supervisory Council. In view of the resolution to amend the Bylaws of the Bank in relation to increasing of the number of the Supervisory Council members from 7 to 8 the shareholders elected Mr. Pal Skoe (born 1950, Head of ASA Division of *DnB NOR Bank*) as the Supervisory Council member until expiry of the term of office of the current Supervisory Council. It was established that the newly elected members of the Supervisory Council may start office once a permission of the Bank of Lithuania has been received. It was established additionally that a new member of the Supervisory Council Mr. Pal Skoe may start his office only from the day of registration of the amendments to the Bylaws with the Register of Legal Entities.

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

On 1 June 2007 the amendments to the Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities in relation to the authorized capital of the Bank amounting to LTL 363,691,755 and divided into 3,162,537 ordinary registered shares with LTL 115 par value each. The Bank's Bylaws were amended based on the Resolution of the Extraordinary General Meeting of Shareholders on 11 December 2006.

On 4 June 2007 the amendments to the Bylaws of *AB DnB NORD Bankas* were registered with the Register of Legal Entities in relation to the number of the Supervisory Council members which is now 8. The Bank's Bylaws were amended based on the Resolution of the Ordinary General Meeting of Shareholders, dated 23 March 2007, regarding increasing of the number of the Supervisory Council members from seven to eight.

On 23 August 2007, the Securities Commission of the Republic of Lithuania approved (certificate number 4R-28) an increase of *AB DnB NORD Bankas*' Medium Term Note Programme to LTL 700,000,000 from LTL 500,000,000 providing other terms and conditions of the programme certified by the Securities Commission of the Republic of Lithuania on 11 January 2007 remain unchanged.

On 4 October, 2007, the Securities Commission of the Republic of Lithuania approved AB DnB NORD Bankas Base Prospectus of LTL 1 250 000 000 Medium Term Note Programme: summary (certificate number 4R - 29), securities note (certificate number 4R - 30), registration document (certificate number 4R - 31).

On 28 December 2007, the Board of the Bank of Lithuania gave a permission to *AB DnB NORD Bankas* to include into the Bank's Tier II capital a ten year EUR 18.5 million (LTL 63 876 800) subordinated loan extended by Germany registered bank Norddeutsche Landesbank Girozentrale. The increased capital base facilitates further growth of the Bank ensuring the compliance with the prudential requirements.

All information on major events related with the Issuer's activities is submitted to the Lithuanian Securities Commission, Vilnius Stock Exchange, the daily "Lietuvos Rytas", news agencies BNS and ELTA and placed on the Bank's website www. dnbnord.lt.

11. Information on performance results

2007 was another year of dynamic growth for *AB DnB NORD Bankas* Group. For the first time in the Group's history assets under the Group's management topped LTL 10 billion litas while its loan portfolio to individual customers and businesses passed LTL 4 billion mark each. The Group not only further consolidated its position in major market segments and earned the largest profit ever but also won recognition as the country's best bank.

In the reporting year the Bank firmly held its position among the country's top three banking institutions. The total assets of the Group rose by LTL 3.7 billion or 47.5 percent year-on-year to LTL 11.4 billion as at the end of December. The Bank's asset growth outpaced the market growth and the Bank held 13.2 percent of the market in terms of assets as at the end of the reporting year according to Association of Lithuanian Banks' data.

That fast asset rise was determined by the Group's rapid loan to customers portfolio growth which increased 50.4 percent year-on-year to LTL 8.8 billion. Loans granted to individual customers rose 66.1 percent year-on-year to LTL 4.2 billion while loan portfolio to businesses increased 36.4 percent to LTL 4.5 billion. The Bank held 15.3 percent of the market in terms of loans as at the end of the reporting year according to Association of Lithuanian Banks' data, i.e. its market share went up by 0.26 percentage point year-on-year.

Customers' deposits increased 36.1 percent over 2007 and amounted to LTL 4.2 billion at the end of the 2007. Over the reporting year individual deposits rose 21.8 percent and corporate deposits 51.0 percent. The Bank held 9.8 percent of the market in terms of deposits as at the end of the reporting year according to Association of Lithuanian Banks' data.

In 2007 the Group earned LTL 318.1 million in net interest, fee and commission income, that was 53.2 percent higher compared to 2006 result. Net interest income of LTL 259.1 million earned by the Group in 2007 makes the largest relative weight of 81.4 percent of net interest, fee and commission income. Net fee and commission income totalled LTL 59.0 million in 2007 and made 18.6 percent of the net interest, fee and commission income of the Bank. Compared with the end of 2006 net interest income rose 61.3 percent and the year-on-year increase of net fee and commission income represented 25.6 percent. The Group's income from operations with securities, derivatives and foreign currency in the reporting year made LTL 23.4 million compared with LTL 6.6 million in 2006.

The administrative and other operating expenses of the Group rose by LTL 50.0 million to LTL 196.6 million in 2007, the rise largely representing the planned investments in further upgrades of the Bank's IT systems, the rapid development of the banking products and services and fast business growth.

Over 2007 net profit of *AB DnB NORD Bankas* Group stood at LTL 106.9 million, which is 2.1 time higher compared with the 2006 result. The best financial result of *AB DnB NORD Bankas*' Group ever was achieved largely due to the increased loan portfolio to individuals and businesses, active performance on the investment products' market and continued efforts to improve operating efficiency as well as the loan portfolio quality. Favourable economic environment also made a positive impact on the results of the Group.

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

As at the end of 2007 the Group's return on equity (ROE) was 17.8 percent. The Group's cost/income ratio was 51.9 percent in 2007 compared with 62.1 percent in 2006. Earnings per share of the Group in 2007 stood at LTL 35.93 compared with LTL 19.8 the year before.

Year	2005		2006		2007	
	Group	Bank	Group	Bank	Group	Bank
Return on equity (percent)	16.9	16.6	15.0	15.2	17.8	18.0
Cost/income ratio (percent)	68.1	67.7	62.1	60.9	51.9	50.5
Earnings per share (LTL)	20.25		19.80		35.93	

RETAIL BANKING

The Bank offers the following services to individual customers: bank accounts in Litas and foreign currencies, cumulative deposits in Litas and foreign currencies, term deposits in Litas and foreign currencies, universal deposits in Litas and foreign currencies, mortgage loans, consumer credits, private credits, local and international transfers, MasterCard and VISA payment cards of international organizations, acceptance of bank cheques and traveller‘s cheques (American Express, Thomas Cook, Swiss Bankers), cash exchange services, cash operations, individual safe lease services, financial brokerage services, electronic banking services, leasing and pension funds.

Thanks to rapidly growing business volume and continuous increase in operating efficiency in the reporting year, *AB DnB NORD Bankas* Group gained a perfect opportunity to invest even more into customer service quality and service culture. In the reporting year the Group consistently developed customer-centric approach and its efforts found recognition – the Bank was ranked as the Best bank of private customers in Lithuania by Veidas magazine.

In 2007 *AB DnB NORD Bankas* loan portfolio to individual customers increased by LTL 1.7 billion or 66.1 percent to LTL 4.2 billion. The Bank held 17.7 percent of the country's individual loan market as at the end of the reporting year. The Bank's consumer loan portfolio to individual customers rose 28.9 percent year-on-year to LTL 564.8 million. Mortgage loan portfolio saw a rise of 54.7 percent year-on-year and topped LTL 3.08 billion. Private credits made LTL 547.1 million as at the end of the year.

In the reporting year the deposits and savings and investment products of individual customers in *AB DnB NORD Bankas* rose by 21.8 percent to LTL 1.92 billion at the year end. The Bank held 11.0 percent of the country's deposit, savings and investment market to individual customers as at the end of the reporting year.

In 2007 the Bank marketed new financial services and products and continued developing the existing ones:

- launched an investment credit;
- launched a mortgage loan "Interest Rate ceiling ";
- made improvements to term deposits via internet;
- offered a possibility of taking consumer loans via internet;
- automated the process of granting mortgage loans;
- made improvements to the application procedures for mortgage loans, private credits and express consumer credits;
- increased the value added to the customers who take a mortgage credit: updated the agreements with the partners participating in the mortgage loan programme "+100 draugų" and updated the participant lists;
- organized product sales promotion campaigns for retail customers;
- activated the concluding of direct debit agreements and utility collection agreements with companies;

In the reporting year the Group served its customers through a nationwide Bank's network of 80 branches and sub-branches running the country's third largest customer service network. At the end of the reporting year the Group also served its customers through 154 the Bank's own ATMs and 296 ATMs of SEB Bankas according to the cooperation agreement. This made it Lithuania's largest ATMs network available for the Group's customers.

The number of customers using *AB DnB NORD Bankas* internet banking services increased by 34 percent in 2007 year on year to 228 thousand largely due to constant efforts to further improve user-friendliness of the system and its functionality, the upgrade work on both to be continued in 2008.

During the reporting year the Bank issued 74.4 thousand new payment cards. At the end of 2007 the payment cards issued by the Bank totalled 311 thousand. The average turnover of transactions made by payment cards issued by the Bank rose by 57.29 percent year-on-year to LTL 3.91 billion.

In the reporting year the Bank was involved in the activities of the "Window to the Future" alliance. Since 2006 this organisation has been implementing a EU Project aiming at providing computer literacy and internet fundamentals to 50,000 Lithuanian citizens. Partnership in the alliance that integrates private organizations and state institutions is in line with social responsibility attitude of the Group. The bank is proud to contribute to the development of information society in Lithuania. In January 2007 the Bank joint a program of electronic signature break-through aiming at massive usage of safe electronic signature infrastructure in Lithuania in three years.

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

CORPORATE BANKING

In 2007 *AB DnB NORD Bankas* performance in corporate banking sector was very successful. The Bank maintained its strong position in the market as a result of being fast and flexible decision maker.

During the reporting year the corporate loan portfolio of *AB DnB NORD bankas* grew by LTL 1.2 billion or 36 percent to LTL 4.5 billion at par. According to the Association of Lithuanian Banks' data, *DnB NORD bankas* held 13.9 percent of the country's corporate loan market. The loan portfolio grew rapidly in most developing and related segments such as real estate and rent, utility services and transport. The growth of loans in agriculture and manufacturing segments are largely attributed to increased financing from European Union structural funds to the sectors. The loan growth in other sectors is largely attributed to the country's economic growth. The structure of portfolio according to economical activities is disclosed in Financial statements for 2007, the section Financial risk management Article 1.9.

As at 31 December 2007 the corporate deposit portfolio stood at LTL 2.3 billion portfolio, an increase by LTL 775 million compared with the same period in 2006. According to the Association of Lithuanian Banks' data, *DnB NORD bankas* held 12.1 percent of the country's corporate deposit market, i.e. its market share went up by 1.4 percentage points over the reporting year. In the reporting period especially fast rise was recorded in corporate term deposits (2 times). Increase in demand deposits (1.4 times) was affected by growth of economy, demand for working capital and investments, also the successful management of state and municipalities' budgets.

AB DnB NORD bankas, in cooperation with leasing and investment management subsidiaries offered corporate customers a variety of solutions that meet borrowing, investment and settlement needs of companies. The Bank made beneficial offers not only for business development but also to the staff of corporate customers.

As the volume of factoring services has been growing rapidly in the reporting year *AB DnB NORD Bankas* signed the factoring portfolio insurance agreement with Coface Austria Kreditversicherung AG, which is part of one of the three largest groups of credit insurance companies world-wide – Coface France. That allowed *AB DnB NORD Bankas* to offer a wider spectrum of factoring services to Lithuania's businesses, speed up decision taking process and ensure more efficient management of the trade credit risk. As a result of the insurance agreement AB *DnB NORD Bankas* launched a service of international factoring without recourse to the seller.

SMALL AND MEDIUM ENTERPRISES

In 2007, SME financing was one of the top priority activities of the Bank. During 2007, 2,814 small and medium sized business entities became customers of the Bank. Over the reporting period, the nominal value of the outstanding SME loans increased by LTL 459.4 million, or by 29 percent, whereas the nominal value of the SME deposit balances increased by LTL 184.15 million, or by 24.31 percent.

The growth of the SME loan and deposit portfolio was influenced by:

- the sales of standard products (loans, credit lines, overdrafts) to SME;
- successfully initialized the development of the project of loans for modernization of apartment houses;
- the development of a SME service package and granting of a loyal customer status;
- the improvement of the SME rating system;
- the simplification of procedures (credit applications, applications for opening accounts and payment cards, etc);
- successfully continued the contribution of the Bank to the SME microcrediting project, which was developed by UAB "Investicijų ir verslo
- garantijos" as a fund administrator.

In the reporting year the Bank dedicated a lot of attention to corporate start-ups. A specialized service package is offered for these enterprises in cooperation with the partners of the Bank (UAB "Omnitel", UAB "Sonex" and UAB "Verslo Žinios"). In 2007, the Bank continued the cooperation with UAB "Investicijų ir verslo garantijos" and UAB "Žemės ūkio paskolų garantijos fondas", being one of the most active credit institutions, which offer SME loans with guarantees of the abovementioned institutions.

INVESTMENT BANKING

AB DnB NORD Bankas investment banking activity includes trading in securities, liquidity management, funding arrangement for the bank and its subsidiary, full service brokerage services, operations with securities finance, financial solutions development for private and corporate customers including derivative and structured products, as well as corporate finance services, particularly mergers and acquisitions, fundraising and other services.

In 2007 *AB DnB NORD Bankas* was a leader in debt instrument market. As of 31 December 2007 the book value of debt securities issued by the Bank for public trading constituted TLTL 1,116,124.

AB DnB NORD Bankas has the largest market share in issuance of structured financial products. The value of equity and commodity linked notes offered for public trading in 2007 reached LTL 630,805,476.

In 2007 the bank became a member of Riga and Tallinn stock exchanges and a fourth largest player at Latvian stock exchange.

In 2007 the bank was increasingly active in foreign exchange market with relevant operations volumes growing faster than the market on average and market share increasing to 10 percent.

The bank's share on the currency forward agreements market reached 28 percent.

PARTNERS OF THE BANK

In 2007 the Bank was actively engaged in work with mediators who indirectly sell the retail products and services of the Bank to their own customers (both individual and corporate customers). The partners offered their customers to use the following products of the Bank: current accounts, investment business credits (except overdrafts, factoring), mortgage loans, express consumer credits, private credits, credit lines and term deposits, as well as informed their customers about the possibility of acquiring investment products and services offered by the Bank.

In 2007, the Bank signed cooperation agreements with 39 companies with good reputation operating successfully in the market and 14 individual persons. Over 2007, the Partners of the Bank attracted loans to individuals for LTL 139 million and loans to corporate customers for LTL 3 million.

12. Bank's subsidiaries

On 31 December 2007 *AB DnB NORD Bankas* owned the following subsidiaries: *UAB DnB NORD Investicijų Valdymas*, *UAB DnB NORD Lizingas* and *UAB DnB NORD Būstas*. The Bank holds 100 percent of the shares in each of the aforementioned subsidiaries.

UAB DnB NORD Lizingas

Name	UAB DnB NORD Lizingas
Legal status	Limited company
Date and place of registration	Registered with the State enterprise Centre of Registers on 6 March 1998
Company code	124385737
Registered and actual office address	Žalgirio str. 92, Vilnius, Republic of Lithuania
Telephone number	(+370 5) 2393 030
Fax number	(+370 5) 2393 031
E-mail	lizingas@dnbnord.lt
Website	www.dnbnordlizingas.lt

UAB DnB NORD Lizingas that provides vehicle, equipment and real estate leasing, saw an increase of its leasing portfolio before provisions by 57.1 percent to LTL 756 million at the end of 2007.

The company's total market share went up from 6.63 percent on 2006 to 7.2 percent as at the end of 2007. Its new cars market share increased from 5.3 percent to 6.5 percent during the period. By this ratio the company ranks third among the twelve members of the leasing association.

The number of signed contracts rose from 2 530 to 3 910 at the end of 2007. Return on equity (ROE) increased from 10.7 percent to 11.6 percent in 2007. Cost/income ratio at the end of 2007 compared to 2006 decreased from 49.6 percent to 41.1 percent. The provisions to the leasing portfolio ratio represented 0.26 percent as at 31 December 2007.

UAB DnB NORD lizingas has 4 representative offices in Lithuania's largest towns and also in Kaliningrad city, Russian Federation.

UAB DnB NORD Investicijų Valdymasf

Name	*UAB DnB NORD Investicijų Valdymas*
Legal status	Limited company
Date and place of registration	Registered with the State enterprise Centre of Registers on 19 August 2003
Company code	226299280
Registered and actual office address	J. Basanavičiaus g. 26, Vilnius, Republic of Lithuania
Telephone number	+370 5 2393 567, +370 5 2393 773
Fax number	+370 5 2393 473
E-mail	investicija@dnbnord.lt
Website	www.dnbnord.lt
Number of the permission to be engaged in the activities of a management company	VĮK –003

UAB DnB NORD Investicijų Valdymas is engaged in management of pension and investment funds.

In 2007 the assets under management of *UAB DnB NORD investicijų valdymas* rose by LTL 65.9 million or 65 percent and and totalled LTL 167.6 million. The company's net profit in 2007 stood at LTL 1.0 million.

UAB DnB NORD investicijų Valdymas holds a share of 6.5 percent of the pillar II pension funds market, and the assets of the pillar III pension fund grew by 58 percent up to LTL 22.3 million year-on-year. This represents 21.6 percent share in the pillar III pension fund market. On October 2007 a new pillar III pension fund *DnB NORD papildoma pensija* 100 was established.

UAB DnB NORD Būstas

Name	*UAB DnB NORD Būstas*
Legal status	Limited company
Date and place of registration	Registered with the state enterprise Centre of Registers on 10 January 2007
Company code	300631876
Registered and actual office address	J. Basanavičiaus g. 26, Vilnius, Republic of Lithuania
Actual office address	Karmelitų str. 3, LT-01129 Vilnius, Republic of Lithuania
Telephone number	(+370 5) 2499 277
Fax number	(+370 5) 2499 276
E-mail	info@dnbnord.lt
Website	www.dnbnordbustas.lt

UAB DnB NORD Būstas is engaged in providing real estate brokerage services.

The company was registered with the Register of Legal Entities on 10 January 2007. The company started operations in March 2007 and carries out its activities in Vilnius, Kaunas, Klaipėda and Šiauliai – in the cities where the real estate market is the most active.

At the end of the reporting year *UAB DnB NORD būstas* gained a strong position among major real estate brokerage companies in terms of objects offered for sale. In 2007 *UAB DnB NORD Būstas* entered into real estate deals at a value of LTL 30.6 million. More than 60 percent of all real estate sales were financed by *AB DnB NORD Bankas*.

13. Risk management and ratings

Over the reporting period risk management in *AB DnB NORD Bankas* aimed at assuring an acceptable return on equity pursuing the conservative policy of risk management. Risk-related activity of the Bank and the Group was strictly restricted by applying the systems of limits. Limitations are set and supervision thereof is executed on a centralized basis at the Group's level. The key principle of risk management is to segregate the function of all-type risk management from risk taking, i.e. from front-office units.

The risk structure of *AB DnB NORD Bankas* is traditional with a prevailing credit risk. The Bank also assesses and manages the liquidity, interest rate, foreign exchange rate and operational risks as well. Detailed information about risk management is provided in the Bank's 2007 financial statement.

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

Starting from 2008 *AB DnB NORD Bankas* calculates the capital adequacy ratio based on new rules prepared in accordance with Basel II requirements. The standardized approach was chosen for estimation of the credit, market and operational risks. *AB DnB NORD Bankas* will continue to improve the process of credit risk assessment and management in 2008 in order to use more advanced methods for calculation of capital requirement for credit risk in the future.

Having assessed growing profitability and assets quality of *AB DnB NORD Bankas* international ratings agency Fitch Ratings upgraded the Bank's individual issuer's rating to C/D from D on 17 August 2007 and affirmed IDR at high "A". Fitch Ratings also affirmed short-term rating F1 and support rating "1" to *AB DnB NORD Bankas*. The Outlook of both long and short borrowing ratings is stable.

14. Bank's strategy, plans and forecasts

AB DnB NORD Bankas group's performance in 2007 created a solid ground to extend the success into 2008.

AB DnB NORD Bankas will continue to focus on development of efficient universal retail banking making use of its existing competitive advantages: fast decision making, customer centric approach, country-wide sales network, its size large enough for economies of scale in product development as well as its efficiency of back-office and risk management.

In retail *AB DnB NORD Bankas* will seek to outperform the market. An important role for the further business and efficiency growth will be assigned for the development of Electronic Decision Support System (EDSS), better visibility on the market, faster development of alternative distribution channels and prioritised development of product packages, supported by analytical Customer Relationship Management System (CRM). The planned IT investments will primarily focus on CRM system development as well as improvements in internet and mobile banking services, contact centre and IT service and data security management. *AB DnB NORD Bankas* investments in the branch network shall be used primarily to increase the presence of the group in the country's top five cities.

AB DnB NORD Bankas goal for 2008 is to maintain strong position in corporate and investment banking through further development of long-term partnership with corporate customers, increasing operating efficiency and profitability per customer. Corporate customers will be served in a personalised manner ensuring fast and flexible decision making.

The planned growth in treasury and investment banking shall be ensured through focus on innovation and offering of higher margin products by applying an open-platform solution while moving most of the standard products to internet channels.

In 2008 *AB DnB NORD Bankas* will continue implementation of unified IT platform, a very important project that was started in early 2007 together with all banks of *DnB NORD* group. The new core banking system will provide a strong backbone supporting the continued growth of the group for the next 10 years, it includes possibility to share products, processes and resources as well as increased "time to market" and economy of scale. Unified IT solution will be basis for further development of international cash management products allowing customers to manage their cross-board funds much easily and effectively.

Presumed that the Lithuanian banking and financial markets will not be exposed to any substantial positive or negative changes, in 2008 *DnB NORD Bankas* Group plans to earn a net profit by about a fifth higher compared to the 2007 result.

15. Investments

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

16. Management of the Issuer

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

The General Meeting of Shareholders of the Issuer:

- amends the Bylaws of the Issuer, save for the exceptions stipulated in laws;
- elects the Supervisory Council or the individual Members thereof;
- removes the Supervisory Council or the individual Members thereof;
- elects and removes the audit company, to establish the terms and conditions of payment for audit services;
- approves the annual financial statements of the Issuer and the report on the performance of the Issuer;
- establishes the class, the number and sets the nominal value and the minimum issue price of the shares to be issued by the Bank;
- makes the decision to issue the convertible bonds;
- makes the decision to withdraw the pre-emptive right to acquire the shares or convertible bonds of the specific issue of the Issuer from all
- the shareholders;
- makes the decision to convert the Issuer's shares of one class into the shares of another class, to approve the share conversion procedure;
- adopts the decision on the profit (loss) distribution;
- adopts the decision on the formation, use, reduction and liquidation of reserves;

- adopts the decision to increase the authorised capital;
- adopts the decision to reduce the authorised capital save for the exceptions stipulated in laws;
- adopts the decision to acquire the Issuer's own shares;
- adopts the decision on the reorganisation or division of the Issuer and to approve the terms and conditions of the reorganisation or division;
- adopts the decision to transform the Issuer;
- adopts the decision to liquidate the Issuer, to cancel the liquidation of the Issuer, except in the events stipulated in laws;
- adopts the decision to elect and remove the liquidator of the Issuer, except in the events stipulated in laws.

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

The Supervisory Council of the Issuer shall be a collegial supervisory body supervising the operation of the Issuer. The Chairman of the Supervisory Council shall be in charge of the Supervisory Council. The General Meeting shall elect 8 Members of the Supervisory Council. At such election, every shareholder shall have the number of votes equal to the number of the votes granted by his/her shares multiplied by the number of the Supervisory Council Members to be elected. These votes shall be cast, at the shareholders' sole discretion, for one or for several candidates. The candidates who receive the greatest number of votes shall be elected. Should the number of the candidates who have received an equal number of votes be greater than the number of the vacancies on the Supervisory Council, a repeat voting shall be held, and in such voting each shareholder shall vote only for one of the candidates who have received the equal number of votes. The Supervisory Council shall be elected for the period of 4 years. The Supervisory Council:

- elects the Management Board Members and removes them from the office, makes proposals to the Management Board with regard to the candidate Chairman of the Management Board. Establishment of the salaries and other terms and conditions of the respective employment contracts of the Management Board Members holding other offices in the Issuer, the President and the Executive Vice Presidents shall be subject to obtaining of the prior consent of the Supervisory Council. If operation of the Issuer generates losses, the Supervisory Councilshall consider whether the Management Board Members are suitable to hold the office;
- supervises the activity of the Management Board and the President;
- approves the Regulations of the Supervisory Council;
- approves the business plans of the Issuer;
- ensures the existence of the effective internal control system in the Issuer;
- makes the proposals and comments to the General Meeting on the Issuer's business strategy, the Issuer's annual financial statements, the draft profit (loss) distribution and the report on the performance of the Issuer as well as on the performance of the Management Board and the President;
- approves the lending policy and establishes the procedure for the lending which is subject to the approval of the Supervisory Council;
- makes the proposal for the Management Board and the President to revoke their decisions which contradict laws and other legal acts, the present Bylaws or the decisions of the General Meeting;
- establishes the transactions and the decisions which are subject to obtaining of the consent of the Supervisory Council prior to the conclusion or implementation thereof by the management bodies of the Issuer;
- takes the decisions on the issues within the competence of the Supervisory Council under the procedures, the approval whereof are delegated to the Supervisory Council under laws, the present Bylaws and the decisions of the General Meeting;
- discusses or resolves other issues which under laws, the present Bylaws and the decisions of the General Meeting shall be discussed and resolved by the Supervisory Council.

The Management Board of the Issuer is a collegial management body consisting of 6 Members. The Management Board shall be elected by the Supervisory Council for 4 years. Where individual Members of the Management Board are elected, they shall be elected for the period remaining until the expiry of the term of office of the current Management Board. A Member of the Management Board may resign from his/her office prior to the expiry of the term of office subject to a written notice thereof to the Issuer at least 14 days in advance. The Management Board shall discuss and approve:

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

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

The Management Board shall adopt:

- The decisions for the Issuer to become a founder, a member of other legal persons;
- The decisions to establish branches, representative offices and other individual outlets of the Issuer and to terminate their operation;
- The decisions on the investment, transfer, lease of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (per each type of transaction);
- The decisions on the pledge and mortgage of the fixed assets at the book value above 1/20 of the authorised capital of the Issuer (in the
- aggregate amount);
- The decisions on the issuing of guarantees or sureties for the fulfilment of the obligations of other persons in the amount above 1/20 of the authorised capital of the Issuer;

- The decisions on the acquisition of the fixed assets for the price above 1/20 of the authorised capital of the Issuer;
- The decisions on the issuing of non-convertible bonds;
- The Regulations of the Management Board;
- The decisions on other issues which shall be discussed or resolved by the Management Board under laws and the Bylaws of the Issuer.

The Management Board shall establish:

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

The Management Board shall implement the decisions taken by the General Meeting and the Supervisory Council. The Management Board shall analyze and assess the information submitted by the President on the following issues:

- The implementation of the business strategy of the Issuer;
- The organization of the business of the Issuer;
- The financial state of the Issuer;
- The results of the business activities, the income and expenditure estimates, the stocktaking data and other accounting data of the changes in the assets.

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

The President shall be a single person management body of the Issuer. The President shall act as follows:

- organise the daily operation of the Issuer;
- hire and dismiss the employees of the Bank, conclude and terminate the employment contracts with them, apply incentives to and impose penalties on them. The President shall have the right to authorise any other employee of the Bank to perform the actions stipulated in the present Paragraph above;
- establish the rates applied in the calculation of the depreciation of the assets in the Bank;
- represent the Bank in the relations with other persons, the court and the arbitrage without a special power of attorney;
- issue and revoke the powers of attorney and powers of procuration of the Bank;
- issue orders;
- perform any other actions necessary to perform his functions, to implement the decisions of the bodies of the Bank and to ensure of the operation of the Bank.

The President shall be responsible:

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

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

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17. Supervisory Council and Management Board

As of 31 December 2007 the Supervisory Council of *AB DnB NORD Bankas* consisted of eight members. Two of them Viktoras Valentukevičius and Antanas Zabulis are independent members of the Supervisory Council.

Four meetings of the Supervisory Council were held during the reporting year. None of the members of the Supervisory Council missed more than half of the Supervisory Council meetings, except Mr Georg Christoph Schulz whose term of office started on 24 May 2007, and who in the financial year participated in less than half of the meetings of the Supervisory Council.

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

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Start	End		
Sven Herlyn	Chairman of the Supervisory Council	23 03 2006	23 03 2010	University Hamburg, MBA	Berliner Bank AG (1991– 1998); Norddeutsche Landesbank Girozentrale (1998-2006); Executive Vice-president, Norddeutsche Landesbank Girozentrale; Chief Executive Officer, Bank DnB NORD/AS (since 2006).
Dr. Juergen Allerkamp (Jürgen Allerkamp)	Member of the Supervisory Council	23 03 2006	23 03 2010	Universities of Göttingen, Münster, Lausanne (CH), Bonn, Doctor of Law, lawyer	Manager of the Legal unit, Westdeutsche Landesbank (1989-1991); Member of the Management Board, Kreissparkasse Dresden (1991-1997); Member of the Management Board, Norddeutsche Landesbank Girozentrale, (since 1997).
Viktoras Valentukevičius	Independent Member of the Supervisory Council	23 03 2006	23 03 2010	Institute of International relations, Vilnius University, diplomacy studies; Vilnius University, economist	Vice-minister, Ministry of Energy of RoL (1994 – 1996); Vice-minister, Ministry of Economy (1997 – 2000); Finance Director, AB Lietuvos Dujos (2000 – 2002); General Manager, AB Lietuvos dujos (since 2002).
Antanas Juozas Zabulis	Independent Member of the Supervisory Council	23 03 2006	23 03 2010	Bossard University, Paris, international manager; International Business School, Vilnius University, manager; Vilnius University, physicist	Business Development Manager, UAB Statoil Lietuva (1994 – 1995); General manager, UAB Statoil Lietuva (1995 – 1997); Development manager for the Baltic States, General Manager for Lithuania, Statoil Baltics (1997 – 1999); Chief advisor, Statoil oljeselskap, HQ, Department of International Trade (1999 – 2000); President, UAB Omnitel (since 2000)

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Torstein Hagen	Member of the Supervisory Council	12 05 2006	23 03 2010	Oslo School of Business and Economics, BMA; University of South Florida, MBA	Various positions at DnB (1994-2000); Consultant, NTNA INTERNATIONAL MGMT (2000-2002); representative, NORD/LB (2002-2005); Chief Credit Officer, DnB NORD (since 2005).
Georg Christoph Schulz	Member of the Supervisory Council	24 05 2007	23 03 2010	German Academy of Savings Banks, diploma in Savings Banks Business Management	Sparkasse Prignitz, Member of the Board (1994 – 2000); Sparkasse Soltau, Member of the Board (2001-2003); DSGV, Member of the Board (2003-2006); Norddeutsche Landesbank Girozentrale, Member of the Board (since 2006).
Jarle Mortensen	Member of the Supervisory Council	24 05 2007	23 03 2010	Norwegian School of Management, Diploma in business management	Sparebanken NOR, Norway, Distric Manager (1997-2000); DnB NOR Bank ASA, Regional Manager (2000-2004); DnB NOR Bank ASA, Executive Vice-president (since 2004).
Pal Skoe	Member of the Supervisory Council	04 06 2007	23 03 2010	University of Lausanne, Switzerland, diploma in business administration	DnB Head Office, Energy and industry section, General Manager (1995-1998); DnB /DnB NOR Singapore, Branch Manager (1998 – 2004); DnB NOR Fiskeriutvikling, Managing Director (2004-2005); DnB NOR Head Office, Division Manager (since 2005).

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

On 31 December the Management Board of *AB DnB NORD Bankas* consisted of six members.

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

Name	Position	Information on start and end of holding the office		Education	Information about management competence and experience
		Start	End		
Werner Heinz Schilli	Chairman of the Management Board, president	23 03 2006	23 03 2010	Institute for Municipal Savings Banks and Credit Basis, Bonn, Diploma in Savings Banks Business Management	Chairman of the Management Board, Savings Bank in Frankfurt/Oder (1991-2001); Freelance consultant for savings banks and Savings banks association (2001-2002); Member of the Management Board, AB Bankas NORD/LB Lietuva (2002-2005).
Dr. Vygintas Bubnys	Vice-chairman of the Management Board, Executive Vice-president	23 03 2006	23 03 2010	Vilnius University, PhD, economist-mathematician,	Chaiman of the Management Board; AB Lietuvos Taupomasis Bankas (1991 – 1997); Advisor, Deputy Manager, Manager, FBC Balticum Managament (1997-2000); Advisor to the Chairman of the Management Board, AB Lietuvos Žemės Ūkio Bankas, (2000-2002).
Gundars Andžans	Member of the Management Board, Head of the Division	23 03 2006	23 03 2010	Riga Technical University, Dipl.-Eng-Mathematician	Director, Central and Western Europe Region, UAB DATI, Riga (since 2002); General Manager SIA DATISENS, Riga, (2000-2003); Project Manager, UAB DATI, Riga (1995-2000); Member of the Management Board, DnB NORD Banka (Latvia).
Dr.Jekaterina Titarenko	Member of the Management Board, Executive Vice-president	01 01 2007	23 03 2010	Vilnius UNiversity, PhD in Economics; VU, Bachelor's and master's degree (banking)	Economist, Chief Economist, On-site Examination Division, Credit Institutions Supervision department, Bank of Lithuania (1995-2001); Head of the sub-unit of the Bank Financial Activity Analysis, Unit of Assessment of Financial activities, Credit Institutions Supervision department, Bank of Lithuania (2001-2002); Deputy Head of the Unit of Assessment of Financial Activities, Bank of Lithuania (2002-2003); Manager, the Financial Risk Department, AB DnB NORD Bankas, (2003-2006).

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

Alditas Saulius	Member of the Management Board, Executive Vice-president	23 03 2006	23 03 2010	VU International Business School, specialist of international business; Vilnius University, radio physicist	Head of the On-site Examination Division, Credit Institutions Supervision Department, Bank of Lithuania (1997-2001); Credit analyst, NORD/LB Vilnius branch (2001-2002); Advisor to the Chairman of the Management Board, AB Bankas NORD/LB Lietuva (2002); Head of the Credit Division, AB Bankas NORD/LB Lietuva (2002-2003);
Sigitas Žutautas	Member of the Management Board, Executive Vice-president	01 01 2007	23 03 2010	Vilnius University MBA (accounting and audit), BSc (economics/ banking)	Economist, AB Litimpex bankas (1995-1996); Audit assistant, UAB KPMG Lietuva. Auditas. Apskaita. Konsultacijos (1996-1997); Senior associate, Assistant Manager, UAB PricewaterhouseCoopers (1998-2003); Lecturer, International Business School, Vilnius University, (2004); Manager of the Internal Audit Department, AB Bankas NORD/LB Lietuva (2003-2006); Manager of Panevėžys Business Centre, AB DnB NORD bankas (2006).

The Members of the Supervisory Council and the Management Board have not acquired any shares of the Issuer.
The Members of the Supervisory Council and the Management Board have not been convicted for any economic crimes.
Additional information on the Chairman of the Management Board-Chief Executive Officer and Chief Financier:

Werner Heinz Schilli (Chairman of the Management Board and Chief Executive Officer): Graduated from the Institute for Municipal Savings Banks and Credit Basis, Bonn, Diploma in Savings Banks Business Management. Start of working in the banking sector in 1970, employed with *AB DnB NORD Bankas* since 2002, start of holding the office as the President of the Bank 31 December 2005.

Previous work record:
Essen Savings Bank, various positions (1973 – 1991);
Chairman of the Management Board, Savings Bank in Frankfurt/Oder (1991-2001);
General Manager, Schilli Consulting GMBH (since 2004); Consultant, Schilli Consulting GMBH (2001-2002);
Member of the Management Board, AB Bankas NORD/LB Lietuva (2002-2005).

Jurgita Šaučiūnienė (Chief Accountant): degree in business management from Vilnius University. Start of holding the office as Chief Accountant at the Bank in 2004.

Previous work record:
Auditor Assistant, audit company TŪB "J. Kabašinskas ir partneriai" (1997-1998);
Member of KŪB, J. Kabašinsko KŪB "JKP konsultacijos" (1998-1999);
Accountant, VFR Norddeutsche LandesBank Girozentrale, Vilnius Representative Office (1999-2001);
Chief Financier, VFR Norddeutsche LandesBank Girozentrale, Vilnius Branch (1999-2003);
Manager of the Accounting Policy Unit, AB Bankas "NORD/LB Lietuva" (2003-2004).
Chief Accountant Jurgita Šaučiūnienė has not acquired any shares of the Issuer.

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

18. Information on the activities of the Audit Committee

The Bank's Audit Committee is established by the Supervisory Council of the Bank. During the year 2007 three meetings of the Bank's Audit Committee were held.

Until 6 June, 2007 it consisted of three members. The members of the Audit Committee were Sven Herlyn (the chairman), Peter-Jurgen Schmidt and Tony Samuelsen. Since 6 June, 2007 the Audit Committee consists of four members. The members of the Audit Committee are Sven Herlyn (the chairman), Jan Kuhnel, Dr. Jurgen Allerkamp (Vice Chairman) (did not participate in the meeting on 25 October 2007), Jarle Mortensen. From 25 October 2007 Jan Kuhnel was elected as a chairman of the Audit Committee.

The main activities of the Audit Committee are supervision of functioning of the internal control system of the Bank, approval of the annual audit plan for the Internal Audit Department and supervision of the audit process, review of the conclusions and recommendations of the external auditor with regard to the auditing procedure and accounting policy, determination of the risk areas of the Bank's operations to be audited by the Internal Audit Department and by the external auditor, supervision of compliance of the Bank's performance with the laws and regulations, Bylaws of the Bank and the strategy and operating policy of the Bank.

19. Employees

As of 31 December 2007 *AB DnB NORD Bankas* Group employed 1 223 employees, and their average salary amounted to LTL 3 245. In the reporting year the number of *AB DnB NORD Bankas* Group employees averaged 1 160. The increase of the number of the Group employees reflected business growth, development of branch network and establishment of the new subsidiary *UAB DnB NORD Būstas*.

Changes in the number of employees and salaries

	31 12 2004	31 12 2005	31 12 2006	31 12 2007
Number of staff in the Bank	1,001	1,030	1,044	1,162
Number of staff in the Group	1,027	1,065	1,086	1,223
Average salary in the Group in LTL	2,530	2,560	2,750	3,245

As at 31 December 2007, the average monthly salary by main staff groups was as follows: LTL 6,170 to the administration (Members of the Management Board excluded); LTL 2,606 to specialists; LTL 1,810 to clerical staff; LTL 2,000 to workers.

The Group's staff number by groups of positions as of 31 December 2007.

	Total employees	Staff structure by education		
		Higher	Specialised secondary (high)	Secondary
Administration	201	182	12	7
Specialists	986	631	246	109
Clerical staff	32	18	2	12
Workers	4		2	2
Total	**1,223**	**831**	**262**	**130**

20. Remuneration

The gross salary for the period from 1 January 2007 until 31 December 2007 and bonuses for the year 2006 paid in 2007 to the Members of the Management Board (holding other positions at the Bank) and Chief Accountant:

	Gross salary, LTL	Bonuses, LTL
Total:	1,960,414	702,060
Average amount, per person	280,059	117,010

In 2007 the Members of the Management Board and Chief Accountant were paid LTL 328,826 in other payments (car allowance, flat rent and business trip overlimit allowance).

In 2007 the Members of the Supervisory Council were paid TLTL 116.5 tantiemes for the year 2006. Pursuant to the resolution of the general meeting of shareholders as of 23 March 2007 the members of the Supervisory Council were paid LTL 23,300 for meeting attendance.

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

The Bank has no special commitments for employees regarding severance payment except the listed below:

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

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

21. Procedure for amending the Bylaws

Following the effective Bylaws of the Issuer that were registered with the Register of Legal Entities on 4 June 2007, the Bylaws of the Issuer may be amended by decision of the General Meeting of Shareholders taken by at least 2/3 of the votes of all the shareholders participating in the General Meeting, save for the exceptions established by law.

22. Information on legal or arbitral proceedings

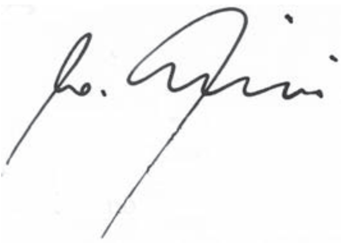
During the period from 1 January 2007 to 31 December 2007 there were no legal or arbitral proceedings that had or could have had substantial influence on the financial state of the Issuer.

23. Compliance to the Corporate Governance Code

Notification on the Bank's compliance to the Corporate Governance Code approved by Vilnius stock exchange is provided in annex No. 2 of the report.

On behalf of the Management Board

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



AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued) **Annex I**

MAIN CHARACTERISTICS OF DEBT SECURITIES ISSUED FOR PUBLIC TRADING

As of 31 December 2007 the following debt securities issues were made by the Issuer for public trading:

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2007 (LTL)
Registered fixed rate notes with 3.25% interest (LT0000403065)	500 000	100 (LTL)	99.48-100.00 (LTL)	50,000,000 (LTL)	3.25	17 03 2008	Par	1,341,397
4.33 percent fixed rate note issue No. 1 (LT0000403388)	250 000	100 (LTL)	100.00 (LTL)	25,000,000 (LTL)	4.33	26 09 2009	Par	1,005,846
4.3 percent fixed rate note issue No. 1/2007 (LT0000401374)	458 875	100 (LTL)	99.88- 100.00 (LTL)	45,887,500 (LTL)	4.3	07 02 2008	Par	-
Fixed rate note issue No. 2/2007 (LT0000401408)	295 018	100 (LTL)	99.82- 100.00 (LTL)	29,501,800 (LTL)	4.6	25 05 2008	Par	-
Fixed rate note issue No.3/2007 (LT0000401457)	268 817	100 (LTL)	99.97- 100.00 (LTL)	26,881,700 (LTL)	5,05	20 70 2008	Par	-
Fixed rate note issue No. 4/2007 (LT0000401473)	155 237	100 (LTL)	99.86- 100.00 (LTL)	15,523,700 (LTL)	5,05	08 10 2008	Par	-
Security and commodity index linked notes								
Dow Jones EURO STOXX 50 index-linked notes (LT1000403139)	30 000	100 (EUR)	100.00 (EUR)	3,000,000 (EUR)	Subject to index change	21 12 2008	Par + premium	-
Global equity-linked note issue No. 1 (LT1000403147)	30 000	100 (EUR)	100.00 (EUR)	3,000,000 (EUR)	Subject to index change	06 03 2009	Par + premium	-
Global equity-linked note issue No. 2 (LT1000403162)	88 328	100.00 (EUR)	100.00 (EUR)	8,832,800 (EUR)	Subject to index change	24 01 2009	Par + premium	-
Global equity-linked note issue No. 3 (LT1000403170)	12 500	100.00 (EUR)	100.00 (EUR)	1,250,000 (EUR)	Subject to index change	13 02 2009	Par + premium	-
Global equity-linked note issue No. 4 (LT1000403188)	99 336	99.58-100.00 (EUR)	100.00 (EUR)	9,933,600 (EUR)	Subject to index change	27 04 2009	Par + premium	-
Global equity-linked note issue No. 5 (LT1000403055)	33 126	100.00 (EUR)	100.00 (EUR)	3,312,600 (EUR)	Subject to index change	05 05 2009	Par + premium	-
Global equity-linked note issue No. 6 (LT1000403071)	30 000	100.00 (EUR)	100.00 (EUR)	3,000,000 (EUR)	Subject to index change	16 05 2009	Par + premium	-
Global equity-linked note issue No. 7 (LT1000403238)	47 373	99.66-100.00 (EUR)	100.00 (EUR)	4,737,300 (EUR)	Subject to index change	16 06 2009	Par + premium	-
Global equity-linked note issue No. 8 (LT1000403261)	29 597	100.00 (EUR)	100.00 (EUR)	2,959,700 (EUR)	Subject to index change	19 05 2009	Par + premium	-
Global equity-linked note issue No. 9 (LT1000405027)	12 236	100.00 (EUR)	100.00 (EUR)	1,223,600 (EUR)	Subject to index change	14 07 2011	Par + premium	-
Russia and Central Europe index linked note issue No. 1, 2 (LT1000403154)	45 000	100.00 (EUR)	100.00 (EUR)	4,500,000 (EUR)	Subject to index change	06 03 2009	Par + premium	-
Russia and Central Europe index linked note issue No. 3 (LT1000403196)	52 000	99.58-100.00 (EUR)	100.00 (EUR)	5,200,000 (EUR)	Subject to index change	27 04 2009	Par + premium	-

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2007 (LTL)
Russia and Central Europe index linked note issue No. 4 (LT1000403253)	16 066	100.00 (EUR)	100.00 (EUR)	1,606,600 (EUR)	Subject to index change	19 05 2009	Par + premium	-
BRIC equity-linked note issue No. 1 (LT1000403246)	49 642	99.66- 100.00 (EUR)	100.00 (EUR)	4,964,200 (EUR)	Subject to index change	16 06 2009	Par + premium	-
Commodity price-linked notes No. 1 (LT1000403295)	48 377	102.54-103,00 (EUR)	100.00 (EUR)	4,837,700 (EUR)	Subject to index change	02 10 2009	Par + premium	-
Global equity-linked note issue No. 10 (LT1000403287)	16 224	99.56-100,00 (EUR)	100.00 (EUR)	1,622,400 (EUR)	Subject to index change	02 10 2009	Par + premium	-
Global equity-linked note issue No. 11 (LT1000405035)	3 699	99.56-100,00 (EUR)	100.00 (EUR)	369,900 (EUR)	Subject to index change	03 10 2011	Par + premium	-
Global equity-linked note issue No. 12 (LT0000403396)	60 206	100 (LTL)	100.00 (LTL)	6,020,600 (LTL)	Subject to index change	02 11 2009	Par + premium	-
Global equity-linked note issue No. 13 (LT1000403352)	8 345	100 (LVL)	100.00 (LVL)	834,500 (LVL)	Subject to index change	16 10 2009	Par + premium	-
Global equity-linked note issue No. 14 (LT0000403438)	60 130	100 (LTL)	100.00 (LTL)	6,013,000 (LTL)	Subject to index change	01 12 2009	Par + premium	-
BRIC equity-linked note issue No. 2 (LT0000403446)	75 107	100 (LTL)	100.00 (LTL)	7,510,700 (LTL)	Subject to index change	07 12 2009	Par + premium	-
Global equity-linked note issue No. 15 (LT0000403453)	34,654	100 (LTL)	100.00 (LTL)	3,465,000 (LTL)	Subject to index change	11 01 2010	Par + premium	-
BRIC equity-linked note issue No. 3 (LT0000403446)	13 940	100 (LVL)	100.00 (LVL)	1,394,000 (LVL)	Subject to index change	09 12 2009	Par + premium	-
Global equity-linked note issue No. 16 (LT0000403511)	33 361	100 (LTL)	100.00 (LTL)	3,336,100 (LTL)	Subject to index change	23 02 2010	Par + premium	-
BRIC equity-linked note issue No. 4 (LT0000403446)	96 700	100 (LTL)	100.00 (LTL)	9,670,000 (LTL)	Subject to index change	08 02 2010	Par + premium	-
Double interest note issue No. 1 (LT0000401382)	154 279	100 (LTL)	100.00 (LTL)	15,427,900 (LTL)	Subject to index change	21 09 2008	Par + premium	-
Global equity-linked note issue No. 17-LV (LV0000800449)	15 209	100 (EUR)	100.00 (EUR)	1,520,900 (EUR)	Subject to index change	27 03 2010	Par + premium	-
Global equity-linked note issue No. 18-LV (LV0000800431)	4 130	100 (LVL)	100.00 (LVL)	413,000 (LVL)	Subject to index change	27 03 2010	Par + premium	-
China index linked note issue No. 1 (LT0000403594)	352 825	100 (LTL)	100.00 (LTL)	35,282,500 (LTL)	Subject to index change	22 03 2010	Par + premium	-
Oil price linked note issue No. 1 (LT0000403428)	14 461	100 (LTL)	100.00 (LTL)	1,446,100 (LTL)	Subject to index change	03 02 2010	Par + premium	-

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemp-tion price, terms and proce-dure	Coupons paid in 2007 (LTL)
China index linked note issue No. 2 (LT0000403602)	79 800	100 (LTL)	100.00 (LTL)	7,980,000 (LTL)	Subject to index change	01 03 2010	Par + premium	-
Oil price linked note issue No. 2 (LT0000403735)	58 751	100 (LTL)	100.00 (LTL)	5,875,100 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Short term equity-linked note issue No. 1 (LT0000401390)	106 666	100 (LTL)	100.00 (LTL)	10,666,600 (LTL)	Subject to index change	04 11 2008	Par + premium	-
Global equity-linked note issue No. 20 (LT0000403800)	119 367	100 (LTL)	100.00 (LTL)	11,936,700 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Asia equity linked note issue No. 1 (LT0000403792)	57 025	100 (LTL)	100.00 (LTL)	5,702,500 (LTL)	Subject to index change	10 05 2010	Par + premium	-
Global equity-linked note issue No. 19-LV (LV0000800472)	20 102	100 (EUR)	100.00 (EUR)	2,010,200 (EUR)	Subject to index change	2010 05 26	Par + premium	-
Short term equity-linked note issue No. 2 (LT0000401416)	36 424	100 (LTL)	100.00 (LTL)	3,642,400 (LTL)	Subject to index change	18 12 2008	Par + premium	-
Short term equity-linked note issue No. 3 (LT1000401034)	16 391	100 (EUR)	100.00 (EUR)	1,639,100 (EUR)	Subject to index change	18 12 2008	Par + premium	-
Asia equity linked note issue No. 2 (LT0000403818)	31 653	100 (LTL)	100.00 (LTL)	3,165,300 (LTL)	Subject to index change	19 06 2010	Par + premium	-
Asia equity linked note issue No. 3 (LT1000403451)	11 677	100 (EUR)	100.00 (EUR)	1,167,700 (EUR)	Subject to index change	19 06 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.1 (LT0000403826)	220 547	100 (LTL)	100.00 (LTL)	22,054,700 (LTL)	Subject to index change	07 06 2010	Par + premium	-
Global equity-linked note issue No. 21 (LT0000403834)	48 541	100 (LTL)	100.00 (LTL)	4,854,100 (LTL)	Subject to index change	02 08 2010	Par + premium	-
Europe index linked note issue No. 1-LV (LV0000800506)	35 511	100 (EUR)	99.68-100.00 (EUR)	3,551,100 (EUR)	Subject to index change	28 07 2010	Par + premium	-
Emerging markets linked note issue No. 1 (LT0000403875)	51 850	100 (LTL)	100.00 (LTL)	5,185,000 (LTL)	Subject to index change	22 06 2010	Par + premium	-

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2007 (LTL)
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.2 (LT0000403867)	37 237	100 (LTL)	100.00 (LTL)	3,723,700 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Global equity-linked note issue No. 22 (LT0000403859)	99 450	100 (LTL)	100.00 (LTL)	9,945,000 (LTL)	Subject to index change	22 06 2010	Par + premium	-
Global equity-linked note issue No. 23 (LT1000405043)	20 562	100 (EUR)	100.00 (EUR)	2,056,200 (EUR)	Subject to index change	22 06 2010	Par + premium	-
Global equity-linked note issue No. 24 (LT1000403477)	11 500	100 (EUR)	100.00 (EUR)	1,150,000 (EUR)	Subject to index change	05 07 2010	Par + premium	-
Global equity-linked note issue No. 25 (LT1000403501)	94 200	100 (EUR)	100.00 (EUR)	9,420,000 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Dow Jones EURO STOXX Select dividend 30 index-linked notes No.3 (LT1000403493)	33 238	100 (EUR)	100.00 (EUR)	3,323,800 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 2 (LT1000403485)	61 013	100 (EUR)	100.00 (EUR)	6,101,300 (EUR)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 3 (LT0000403485)	69 208	100 (LTL)	100.00 (LTL)	6,920,800 (LTL)	Subject to index change	19 07 2010	Par + premium	-
Global equity-linked note issue No. 26 (LT0000403925)	155 339	100 (LTL)	100.00 (LTL)	15,533,900 (LTL)	Subject to index change	19 07 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 1 (LT0000403941)	47 000	100 (LTL)	100.00 (LTL)	4,700,000 (LTL)	Subject to index change	07 07 2010	Par + premium	-
Emerging markets linked note issue No. 4 (LT1000403519)	33 812	100 (EUR)	100.00 (EUR)	3,381,200 (EUR)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 2 (LT0000403982)	347 646	100 (LTL)	100.00 (LTL)	34,764,600 (LTL)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 3 (LT1000403527)	34 536	100 (EUR)	100.00 (EUR)	3,453,600 (EUR)	Subject to index change	16 08 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 4 (LT1000403535)	12 350	100 (EUR)	100.00 (EUR)	1,235,000 (EUR)	Subject to index change	16 08 2010	Par + premium	-

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2007 (LTL)
China and Japan property linked note issue No.1 (LT0000403990)	63 217	100 (LTL)	100.00 (LTL)	6,321,700 (LTL)	Subject to index change	25 09 2010	Par + premium	-
China and Japan property linked note issue No.2 (LT0000430019)	3 704	100 (LTL)	100.00 (LTL)	370,400 (LTL)	Subject to index change	25 09 2010	Par + premium	-
Short term equity-linked note issue No. 4 (LT0000402257)	58 375	100 (LTL)	100.00 (LTL)	5,837,500 (LTL)	Subject to index change	26 03 2009	Par + premium	-
Short term equity-linked note issue No. 5 (LT0000402265)	17 203	100 (LTL)	100.00 (LTL)	1,720,300 (LTL)	Subject to index change	26 03 2009	Par + premium	-
Emerging country equity linked note issue No. 1 (LT0000430118)	44 143	100 (LTL)	100.00 (LTL)	4,414,300 (LTL)	Subject to index change	02 11 2010	Par + premium	-
Emerging country equity linked note issue No. 2 (LT0000430126)	21 551	100 (LTL)	100.00 (LTL)	2,155,100 (LTL)	Subject to index change	02 11 2010	Par + premium	-
Emerging markets linked note issue No. 6 (LT0000430209)	210 783	100 (LTL)	100.00 (LTL)	21,078,300 (LTL)	Subject to index change	20 10 2010	Par + premium	-
Black sea region equity linked note issue No. 1 (LT0000430217)	141 566	100 (LTL)	100.00 (LTL)	14,156,600 (LTL)	Subject to index change	20 10 2010	Par + premium	-
Global equity-linked note issue No. 28 (LT1000403592)	36 465	100 (EUR)	100.00 (EUR)	3,646,500 (EUR)	Subject to index change	20 10 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 7 (LT0000430225)	35 950	100 (LTL)	100.00 (LTL)	3,595,000 (LTL)	Subject to index change	20 10 2010	Par + premium	-
Actively managed world equity indices linked note issue No. 8 (LT1000403600)	29 766	100 (EUR)	100.00 (EUR)	2,976,600 (EUR)	Subject to index change	20 10 2010	Par + premium	-
China index linked note issue No. 3 (LT0000430324)	330 899	100 (LTL)	100.00 (LTL)	33,089,900 (LTL)	Subject to index change	15 11 2010	Par + premium	-
China index linked note issue No. 4 (LT0000430332)	331 942	100 (LTL)	100.00 (LTL)	33,194,200 (LTL)	Subject to index change	15 11 2010	Par + premium	-
BRIC equity-linked note issue No. 5 (LT0000430340)	123 040	100 (LTL)	100.00 (LTL)	12,304,000 (LTL)	Subject to index change	15 11 2010	Par + premium	-

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

Name of securities (ISIN code)	Number of securities	Nominal value per unit	Issue price per unit	Aggregate nominal value	Interest (gain) amount, percent	Maturity	Redemption price, terms and procedure	Coupons paid in 2007 (LTL)
China index linked note issue No. 5 (LT0000430357)	157 255	100 (LTL)	99.34-100.00 (LTL)	15,725,500 (LTL)	Subject to index change	22 12 2010	Par + premium	-
Oil price linked note issue No. 3 (LT1000403543)	10 590	100 (EUR)	100.00 (EUR)	1,059,000 (EUR)	Subject to index change	26 09 2010	Par + premium	-
Global equity-linked note issue No. 20-LV (LV0000800522)	29 063	100 (EUR)	99.64-100.00 (EUR)	2,906,300 (EUR)	Subject to index change	2010-09-29	Par + premium	-
BRIC equity-linked note issue No. 5-LV (LV0000800555)	2 227	100 (EUR)	99.59-100.00 (EUR)	222,700 (EUR)	Subject to index change	2010-12-05	Par + premium	-
BRIC equity-linked note issue No. 6-LV (LV0000800563)	19 040	100 (EUR)	102.57-103.00 (EUR)	1,904,000 (EUR)	Subject to index change	2010-12-05	Par + premium	-
Emerging markets linked note issue No. 7 (LT1000403634)	154 045	100 (EUR)	100.00 (EUR)	15,404,500 (EUR)	Subject to index change	08 12 2010	Par + premium	-
Emerging markets linked note issue No. 8 (LT0000430365)	119 080	100 (LTL)	100.00 (LTL)	11,908,000 (LTL)	Subject to index change	08 12 2010	Par + premium	-

Annex 2

DISCLOSURE OF AB DnB NORD BANKAS CONCERNING COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON REGULATED MARKET APPROVED BY VILNIUS STOCK EXCHANGE

AB DnB NORD Bankas (hereinafter referred to as "the Bank", "the Company" or "the Issuer"), following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the Vilnius Stock Exchange for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it is specified which provisions are not complied with and the reasons of non-compliance.

Principles/Recommendations	Yes / No / Not Applicable	Commentary
Principle I: Basic Provisions *The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.*		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Bank adopts and annually updates the Strategy of the Bank. The provisions of the Strategy, which do not contain confidential information, are disclosed in the Annual Report.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	

Principle II: The corporate governance framework *The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.*		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Not applicable	Both the Supervisory Council and the Management Board are elected in the Bank.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Management Board consists of 6 (six) members and the Supervisory Council – of 8 (eight) members.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The Supervisory Council is elected for the term of 4 (four) years. The Bylaws and practice of the Bank does not prohibit a re-election of the members of the Supervisory Council for a new term.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	

AB DnB NORD BANKAS GROUP CONSOLIDATED 2007 ANNUAL REPORT (continued)

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

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.	Yes	
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		

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3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Yes	The members of the Supervisory Council indicated in item 3.6 hereinabove are considered as independent since they meet the criteria provided for in the Code.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Yes	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Yes	
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting *The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.*		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	To the best knowledge of the Bank all the members of the Supervisory Council act in good faith, with care and responsibility not for their own or third parties' interests, but for the benefit and in the interests of the Bank and its shareholders.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	

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

4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	No	Since 6 June 2007 there are 4 (four) members in the Audit Committee established by the Supervisory Council. The Committee was composed taking into consideration experience of its members in banking sector and in auditing of listed companies rather than formal compliance of its members to independence criteria.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	

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4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The Nomination Committee is not established in the Bank.

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4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.	No	The Remuneration Committee is not established in the Bank.

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.	Yes	

4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.	Yes	
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	In the Meeting of the Supervisory Council to be held before the ordinary general meeting of shareholders of 2008, the Supervisory Council will perform the annual self-assessment which will be disclosed publicly.
Principle V: The working procedure of the company's collegial bodies *The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.*		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	

5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	

Principle VI: The equitable treatment of shareholders and shareholder rights *The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.*		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares consisting the authorised capital of the Bank grant equal rights to all the owners of the shares of the Bank.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	Pursuant to the Law on Stock Companies and the Bylaws of the Bank the approval of transactions indicated in this item is attached to the competence of the Management Board. According to the internal regulations of the Bank significant transactions shall also be approved by the Supervisory Council.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	According to the item 26.4 of the Rules of Vilnius Stock Exchange (VSE) the issuer is obliged to publish draft resolutions of the forthcoming general meeting of shareholders through the information disclosure system of VSE not later than at the day when the shareholders of the issuer are being granted a possibility to familiarize themselves with the draft resolutions. The Issuer is obliged to announce about decisions passed in the general (or repeated) meeting of shareholders of the issuer through the information disclosure system of VSE. The information disclosed in the information disclosure system of VSE is also published on the Bank's website.

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Taking into consideration the structure of shareholders of the Bank and settled procedure of the meetings of shareholders of the Bank there is no need to implement measures indicated in this item. Moreover, the expenses required for the implementation of such measures would be not adequate to the expected benefits.
Principle VII: The avoidance of conflicts of interest and their disclosure *The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.*		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy *Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.*		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Bank plans to prepare and approve the Bank's remuneration policy during the year 2008. Pursuant to the laws and Bank's Bylaws, tantiems received by the members of the Supervisory Council are established by the meeting of shareholders of the Bank and the remuneration for the members of the Management Board, holding other offices in the Bank, are established by the Management Board subject to coordination hereof with the Supervisory Council of the Bank. The Bank (following the requirements of the legal acts) discloses to public the tantiems/remuneration of the members of the Supervisory Council and Management Board (heads of administration).
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration policy according to which the remuneration statement should be prepared is not approved in the Bank, because there is no such a requirement in the legal acts, nevertheless, as is indicated in item 8.1 hereof, the Bank plans to prepare and approve the Bank's remuneration policy during the year 2008.

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8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.	No	Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared, nevertheless the information on payments indicated in item 8.4 is provided in the annual and interim reports of the Bank.
8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy.

8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	No	Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared.
8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.7.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.	No	Due to the reasons indicated hereinabove the Bank has not approved the remuneration policy according to which the remuneration statement should be prepared. Notwithstanding, the Bank (following the requirements of the legal acts) publishes the remuneration for the members of the Supervisory Council and Management Board (heads of administration) in the reports prepared and published by the Bank.

8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	The Bank does not apply schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements.

8.9. The following issues should be subject to approval by the shareholders' annual general meeting: 1) Grant of share-based schemes, including share options, to directors; 2) Determination of maximum number of shares and main conditions of share granting; 3) The term within which options can be exercised; 4) The conditions for any subsequent change in the exercise of the options, if permissible by law; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

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

Principle X: Information disclosure and transparency

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

10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. 10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	

10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	No	All the information indicated in this item is published on the website of the Bank, except for the changes in the price of the Bank's shares on the Stock Exchange, since this information is published on the website of the Vilnius Stock Exchange and is accessible by every interested person.

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Principle XI: The selection of the company's auditor *The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.*		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	

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

THE GROUP AND BANK INCOME STATEMENT

					Year ended
			31 December 2007		31 December 2006 Restated
	Notes	Group	Bank	Group	Bank
Interest income		529,911	494,605	296,361	283,846
Interest expense		(270,790)	(245,880)	(135,684)	(130,031)
Net interest income	1	259,121	248,725	160,677	153,815
Fee and commission income	2	75,679	72,063	59,814	55,288
Fee and commission expense	2	(16,659)	(16,328)	(12,820)	(12,785)
Net interest, fee and commission income		318,141	304,460	207,671	196,318
Net gain (loss) on operations with securities and derivative financial instruments	3	7,029	8,295	(4,592)	(2,616)
Net foreign exchange gain		16,335	16,456	11,157	11,147
Impairment losses and provisions	4	(20,139)	(19,072)	(9,991)	(8,607)
Other income	5	6,306	5,783	4,669	4,664
Administrative and other operating expenses	6	(196,634)	(184,355)	(146,610)	(138,265)
Profit before income tax		131,038	131,567	62,304	62,641
Income tax	7	(24,121)	(23,683)	(12,535)	(12,338)
Net profit for the year		106,917	107,884	49,769	50,303
Earnings per share (in LTL per share)					
Basic	8	35.93		19.80	
Diluted	8	35.93		19.80	

The accounting policies and notes on pages 58 to 131 are an integral part of these financial statements.

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

THE GROUP AND BANK BALANCE SHEET

					Year ended
			31 December 2007		31 December 2006 Restated
	Notes	Group	Bank	Group	Bank
ASSETS					
Cash and balances with central banks	9	475,595	475,592	352,032	352,09
Loans and advances to banks	10	327,329	327,328	290,134	290,134
Trading securities	11	3,214	3,214	24,150	24,150
Derivative financial instruments	12	98,821	98,821	32,490	32,490
Loans and advances to customers	13	8,810,217	8,869,160	5,856,435	6,166,778
Finance lease receivables	14	154,338	-	480,173	-
Securities available for sale	15	727,073	725,863	536,276	530,393
Investments in subsidiaries	16	-	7,200	-	6,200
Intangible assets	17	8,932	8,202	7,096	6,806
Property, plant and equipment	18	125,874	105,186	108,560	93,652
Deferred tax asset	7	780	212	660	-
Other assets	19	81,033	10,691	47,380	7,369
Total assets		11,413,206	10,631,469	7,735,386	7,510,001
LIABILITIES					
Due to banks	20	4,943,502	4,172,686	3,330,373	3,121,057
Derivative financial instruments	12	11,736	11,736	2,479	2,479
Due to customers	21	4,211,653	4,226,093	3,095,371	3,098,598
Debt securities in issue	22	1,116,124	1,116,124	553,601	553,601
Special and lending funds		15,824	15,824	9,890	9,890
Other liabilities	23	100,363	75,813	73,421	56,420
Current income tax liabilities		17,798	17,795	4,511	4,037
Deferred tax liabilities	7	-	-	271	271
Subordinated loans	24	263,570	263,570	199,054	19,054
Total liabilities		10,680,570	9,899,641	7,268,971	7,045,407
SHAREHOLDERS' EQUITY					
Share capital	25	569,439	569,439	404,536	404,536
Retained earnings		161,166	160,517	57,374	55,689
Other reserves	26	2,031	1,872	4,505	4,369
Total shareholders equity		732,636	731,828	466,415	464,594
Total liabilities and shareholders' equity		11,413,206	10,631,469	7,735,386	7,510,001

These Financial Statements were signed on 19 February 2008:

W. Schilli
President

J. Šaučiūnienė
Chief Accountant

The accounting policies and notes on pages 58 to 131 are an integral part of these financial statements.

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

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS‘ EQUITY

	Ordinary shares	Share premium	Property, plant and equipment revaluation reserve	Financial assets revaluation reserve	Mandatory reserve	Retained earnings	Total
Previously reported Balance at 31 December 2005	**234,110**	**34,889**	**983**	**(166)**	**892**	**60,146**	**330,854**
Effect of deferred day 1 profit restatement						(348)	(348)
Restated Balance at 31 December 2005	**234,110**	**34,889**	**983**	**(166)**	**892**	**59,798**	**330,506**
Net changes in available for sale securities revaluation, net of tax				(111)			(111)
Net profit for the year (restated)						49,769	49,769
Total recognised income and expense (restated)				(111)		49,769	49,658
Increase of share capital (by increasing the par value per share)	49,286					(49,286)	
Increase of share capital (by issuing ordinary registered shares)	28,340	57,911					86,251
Transfer to mandatory reserve					2,983	(2,983)	
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated			(76)			76	
Restated Balance at 31 December 2006	**311,736**	**92,800**	**907**	**(277)**	**3,875**	**57,374**	**466,415**
Net changes in available for sale securities revaluation, net of tax				(5,599)			(5,599)
Net profit for the year						106,917	106,917
Total recognised income and expense				(5,599)		106,917	101,318
Increase of share capital (by issuing ordinary registered shares)	51,956	112,947					164,903
Transfer to mandatory reserve					3,169	(3,169)	
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated			(44)			44	
Balance at 31 December 2007	**363,692**	**205,747**	**863**	**(5,876)**	**7,044**	**161,166**	**732,636**

The accounting policies and notes on pages 58 to 131 are an integral part of these financial statements.

BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary shares	Share premium	Property, plant and equipment revaluation reserve	Financial assets revaluation reserve	Mandatory reserve	Retained earnings	Total
Previously reported Balance at 31 December 2005	**234,110**	**34,889**	**983**	**(191)**	**853**	**57,840**	**328,484**
Effect of deferred day 1 profit restatement						(348)	(348)
Restated Balance at 31 December 2005	**234,110**	**34,889**	**983**	**(191)**	**853**	**57,492**	**328,136**
Net changes in available for sale securities revaluation, net of tax				(96)			(96)
Net profit for the year (restated)						50,303	50,303
Total recognised income and expense (restated)				(96)		50,303	50,207
Increase of share capital (by increasing the par value per share)	49,286					(49,286)	
Increase of share capital (by issuing ordinary registered shares)	28,340	57,911					86,251
Transfer to mandatory reserve					2,986	(2,986)	
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated			(76)			76	
Restated Balance at 31 December 2006	**311,736**	**92,800**	**907**	**(287)**	**3,749**	**55,689**	**464,594**
Net changes in available for sale securities revaluation, net of tax				(5,553)			(5,553)
Net profit for the year						107,884	107,884
Total recognised income and expense				(5,599)		107,884	102,331
Increase of share capital (by issuing ordinary registered shares)	51,956	112,947					164,903
Transfer to mandatory reserve					3,100	(3,100)	
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated			(44)			44	
Balance at 31 December 2007	**363,692**	**205,747**	**863**	**(5,840)**	**6,849**	**160,517**	**731,828**

The accounting policies and notes on pages 58 to 131 are an integral part of these financial statements.

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

THE GROUP AND BANK CASH FLOW STATEMENT

		Year ended			
		31 December 2007		31 December 2006 Restated	
	Notes	Group	Bank	Group	Bank
Operating activities Receipt (payments)					
Interest receipt		483,847	451,221	274,367	261,587
Interest payments		(188,885)	(173,071)	(87,648)	(84,009)
Collected previously written-off loans		4,050	4,050	9,511	9,511
Net receipt from operations in foreign currency		8,618	8,739	5,031	5,016
Net receipt from operations in securities		7,214	7,170	3,406	3,378
Fee and commission receipt		75,679	72,063	59,814	55,288
Fee and commission payments		(16,659)	(16,328)	(12,820)	(12,785)
Salaries and related payments		(69,270)	(65,373)	(58,086)	(55,596)
Other payments		(87,834)	(84,123)	(67,085)	(64,767)
Net cash flow from operating profits before changes in operating assets and liabilities		216,760	204,348	126,490	117,623
(Increase) decrease in operating assets					
(Increase) decrease in loans to credit and financial institutions		(222,618)	27,988	(80,352)	(168,491)
(Increase) in loans and advances		(2,867,744)	(2,867,867)	(2,079,776)	(2,079,776)
Purchase of trading securities		(25,632)	(25,632)	(119,099)	(119,099)
Proceeds from trading securities		46,513	46,513	147,711	147,711
(Increase) decrease in other short-term assets		(299,326)	1,588	(175,175)	668
Change in operating assets		(3,368,807)	(2,817,410)	(2,306,691)	(2,218,987)
Increase in liabilities					
Increase in liabilities to credit and financial institutions		1,605,386	1,064,040	1,694,885	1,591,618
Increase in deposits		1,102,319	1,102,328	400,185	400,185
Increase (decrease) in other liabilities		3,613	(3,264)	1,392	8,775
Change in liabilities		2,711,318	2,163,104	2,096,462	2,000,578
Net cash flow from operating activities before income tax		(440,729)	(449,958)	(83,739)	(100,786)
Income tax paid		(10,348)	(9,433)	(461)	(62)
Net cash flow from operating activities		(451,077)	(459,391)	(84,200)	(100,848)
Investing activities					
Acquisition of property, plant , equipment and intangible assets		(41,288)	(25,854)	(29,365)	(18,695)
Disposal of property, plant, equipment and intangible assets		3,814	1,039	2,541	1,664
Purchase of available for sale securities		(309,393)	(303,342)	(537,708)	(507,514)
Proceeds from available for sale securities		120,349	109,678	394,417	369,079
Dividends received		3	1,313	1	2,001

The accounting policies and notes on pages 58 to 131 are an integral part of these financial statements.

Interest received		24,427	24,392	25,499	25,501
Investment in subsidiaries (acquired)			(1,000)		
Net cash flow from investing activities		(202,088)	(193,774)	(144,615)	(127,964)
Financing activities					
Own debt securities redemption		(968,509)	(968,509)	(172,640)	(172,640)
Own debt securities issued		1,457,633	1,457,633	254,128	245,128
Increase in share capita		164,903	164,903	86,251	86,251
Received subordinated loans		63,876	63,876	98,405	98,405
Interest paid		(35,781)	(35,781)	(20,904)	(20,904)
Net cash flow from financing activities		682,122	682,122	245,240	245,240
Net increase in cash and cash equivalents		28,957	28,957	16,425	16,428
Cash and cash equivalents at beginning of year		506,015	506,012	489,590	489,584
Cash and cash equivalents at 31 December	29	534,972	534,969	506,015	506,012

The accounting policies and notes on pages 58 to 131 are an integral part of these financial statements.

GENERAL BACKGROUND

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

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

As at 31 December 2007 the Bank owned the following subsidiaries:

- UAB DnB NORD Lizingas (finance and operating leasing activities),
- UAB DnB NORD Investicijų Valdymas (investment management activities);
- UAB DnB NORD Būstas (real estate brokerage). Real estate brokerage company *UAB DnB NORD Būstas* was Registered on Legal Entities, State Enterprise Centre of Register on 10 January 2007. The authorised capital of the real estate brokerage company is LTL 1 million and is divided into 1000 ordinary registered shares with a par value of LTL 1000 each. Bank subscribed to 100 percent of ordinary registered shares issued by the closed stock company.

As at 31 December 2007 the Bank owned 100% of the share capital of the *UAB DnB NORD Lizingas*, *UAB DnB NORD Investicijų Valdymas* and *UAB DnB NORD Būstas*. The Bank is the sole shareholder of these companies from their establishment.

The head offices of the Bank and subsidiary *UAB DnB NORD Investicijų Valdymas* are located in Vilnius, Basanavičiaus str. 26, the head office of *UAB DnB NORD Lizingas* is located in Vilnius, Žalgirio str. 92, the head office of *UAB DnB NORD Būstas* is located in Vilnius, Karmelitų str. 3. At the end of the reporting period the Bank had 80 client service outlets, of which 16 customer service branches and 64 customer service subbranches (2006: 78 client service outlets). As at 31 December 2007 the Bank had 1,162 employees (2006: 1,044). As at 31 December 2007 the Group had 1,223 employees (2006: 1,086).

As at 31 December 2007 3,162,537 number of the ordinary registered Bank's shares are admitted to the Additional Trading List on Vilnius Stock Exchange. As disclosed in Note 25, Share capital, Bank DnB NORD A/S (DK) is the single largest shareholder holding 93.15% of the Bank's shares. The Bank DnB NORD, registered in Denmark, is a joint venture of Norwegian largest Bank DnB NOR (51%), the Ultimate parent of AB DnB NORD bankas, and the German Bank Norddeutsche Landesbank (NORD/LB)(49%).

Recent volatility in financial markets

The last few months have seen sharp rise in foreclosures in the US subprime mortgage market. The effects have spread beyond US housing market as global investors were forced to re-evaluate the risks they were taking which resulted in increased volatility and lower liquidity in the fixed income, equity, and derivative markets. The tighter credit markets might affect the cost of borrowings of the Group. Management does not consider any other effects on the Group's financial position of any further possible deterioration in the financial markets liquidity and increased volatility due to current funding structure which is described under financial risk management.

ACCOUNTING POLICIES

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

Basis of preparation

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

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

ACCOUNTING POLICIES (continued)

These financial statements combine the consolidated financial statements for the Group and stand-alone financial statements of the parent Bank. In addition the financial information of Financial group are presented in Note 36 in accordance with the requirements of the Bank of Lithuania.

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

Standards, amendments and interpretations effective in 2007:
- IFRS 7, Financial Instruments: disclosure (effective for annual periods beginning on or after January 2007), and the complementary Amendments to IAS 1, Presentation of Financial Statements – Capital disclosure were adopted by the Group in 2007. The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these financial statements.
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). As none of the Group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group.
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 may 2006). This interpretation is not relevant to the Group.
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). As none of the Group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations.
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). This interpretation is not relevant to the Group.

Standards, amendments and interpretations that have been published but as at 31 December 2007 are not yet effective and have not been early adopted by the Group:
- IAS 23, Borrowing costs (effective for annual periods beginning on or after 1 January 2009).
- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Group will apply this standard from 1 January 2009, but it is not expected to have significant effect on the Group's financial statements.
- IFRIC 11, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This interpretation is not relevant to the Group.
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). This interpretation is not relevant to the Group.
- IFRIC 13, Customer Loyalty programmes (effective for annual periods beginning on or after 1 July 2008). This interpretation is not relevant to the Group.
- IFRIC 14, IAS 19 – The limit on defined Benefit Asset, Minimum Funding Requirement and their Interaction (effective for annual periods beginning on or after 1 January 2008). This interpretation is not relevant to the Group.
- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The Group will apply this interpretation from 1 January 2009, but it is not expected to have significant effect on the Group's financial statements.

IAS 1, 23 and IFRIC 12, 13 and 14 have not yet been endorsed by European Union.

Restatement of comparatives

In preparation of financial statements as at 31 December 2007 the Group and Bank comparative figures have been restated to reflect effect of incorrectly applied accounting policy on recognising Day one profit on issued index-linked bonds - because not all variables used in estimating the fair value of bond on initial recognition are based on observable current market transactions. The restatements resulted in:

	2006	
	Group	Bank
- Increase (decrease) in debt securities in issue	6,263	6,263
- Increase (decrease) in Net gain on operations with securities and derivative financial instruments	(5,915)	(5,915)
- Increase (decrease) in retained earnings	(348)	(348)

ACCOUNTING POLICIES (continued)

Critical accounting estimates

Impairment losses on loans

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

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated higher or lower by LTL 3,556 thousand (2006: LTL 2,059 thousand), of which LTL 3,125 thousand (2006: LTL 1,796 thousand) coming from loans and advances assessed individually and the remaining LTL 431 thousand (2006: LTL 263 thousand) from loans and advances assessed on pool basis.

Taxes

The tax authorities have carried out a full-scope tax audit at the Bank for the years 1998 to 2001 (income tax audit was done for the period 1998 to 2000). There were no made significant remarks or disputes. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

Consolidation

Subsidiaries

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

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

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

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

Foreign currency translation

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

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

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

Day one profit recognition

The best evidence of fair value at initial recognition is the transaction price (i.e., the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on valuation technique whose variables include only data from observable markets.

The Group has issued index linked bonds where fair value of the embedded derivative is determined by comparison with observable current market transactions in the same instrument. The fair value of the host contract is determined using valuation models for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of the fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as ,,day one profit and loss", is not recognised immediately in the profit and loss.

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

Recognition of income and expenses

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan origination fees are accounted for as an adjustment to the effective interest rate calculation for each issued loan separately. Other commission fees, certain taxes and other similar income and expenses are recognised as gained or incurred.

Dividend income

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

Taxation

Income tax

In accordance with the Lithuanian Law on Corporate Income Tax, the current income tax rate is 18% on taxable income. Expenses related with taxation charges and included in these financial statements are based on calculations made by the management in accordance with Lithuanian tax legislation. Income tax rate valid for 2006 was 19%.

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

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

ACCOUNTING POLICIES (continued)

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

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

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

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

Other taxes

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

Cash and cash equivalents

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

Financial assets

Financial assets are classified into these groups: financial assets at fair value through profit and loss (the Group and the Bank has the only one sub-category here – held for trading), loans and receivables, financial assets available for sale. Management determines the classification of its investments at initial recognition.

Trading securities

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

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

Derivative financial instruments

Derivative financial instruments including foreign exchange forwards, swaps, options (both written and purchased) and other derivative financial instruments are initially recognised in the balance sheet at their fair value on the settlement date. Fair values are obtained from quoted market prices and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

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

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

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

Securities available for sale

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

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

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

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

Sale and repurchase agreements

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

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

Loans

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

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

Losses on loan impairment are established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

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

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

ACCOUNTING POLICIES (continued)

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

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

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

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

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

Intangible assets

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

Property, plant and equipment

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

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

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

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

Leases

Group company is the lessee

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

Group company is the lessor

Operating leases

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

ACCOUNTING POLICIES (continued)

Finance leases

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

Assets / funds under management and related liabilities

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

Borrowings

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

Employee benefits

Social security contributions

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

Termination benefits

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

Segment reporting

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

Provisions

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

Financial guarantee contracts

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

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

ACCOUNTING POLICIES (continued)

Share issue costs

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

Transfers between elements of shareholders equity

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

Fiduciary activities

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

Fair value of assets and liabilities

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

Offsetting financial instruments

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

FINANCIAL RISK MANAGEMENT

The Group analyses, evaluates, accepts and manages the risk or combination of risks it is exposed to. Risk management at DnB NORD Group aims at ensuring a sufficient return on equity following the conservative risk manage¬ment policy. While implementing an advanced risk management policy the Group focuses not only on minimising potential risk but also on improving pricing and achieving efficient capital allocation.

Upon joining the international DnB NORD Group, the Group started implementing common risk management and control principles.

The liquidity and market risk management is centralised following the common methodology defined by the Assets and Liabilities Management Committee (hereinafter referred to as “ALCO”) of the international DnB NORD Group. The credit risk management is also based on the Credit Risk Management Policy of the international DnB NORD Group.

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

The Group has implemented the risk assessment and risk management rules and policies approved by the Bank’s Management Board that help to identify and analyse the risks assumed by the Group, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. Management Board delegated decisions and regulations of liquidity and market risk to non-structural unit - ALCO of the Bank. The aim of local ALCO is to adopt and implement decisions of international DnB NORD group ALCO in operations of the Bank as well as to regulate asset and liability management via transfer price system, setting of internal limits, etc. The regular monitoring of financial risks is performed by the Bank’s Financial risk management department.

The Group reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice on regular basis, at least annually. Responsibility for the independent review of the risk management and control environment is assigned to internal audit.

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

The Group’s risk control function is separated from the risk assuming activities, i.e. from the business units dealing with the customers directly.

During the 2007 there were no substantial changes to the risk management processes of the Group and the Bank except for those mentioned below under credit risk (see 1.1 (a), 1.5 (a)).

1. Credit risk

Credit risk is defined as the risk for the Group to incur losses due to the Group’s customers’ failure to fulfil their financial obligations towards the Group. Credit exposures arise principally in lending activities and it is the most significant risk in the Group’s business. The stress-testing results show that the Bank’s probable loss resulting from the credit risk accounts for major part of all probable losses.

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

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

Credit risk management is an independent function from the front-office. Final approval of large loans is done by a collegial body of a certain competence (Management Board or Supervisory Council of the Bank).

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

FINANCIAL RISK MANAGEMENT (continued)

1.1. Credit risk measurement

(a) Loans and advances

The credit risk is managed by carrying out a thorough analysis of the customer before issuing credits and by mon¬itoring thereof after the credit disbursement.

The credit risk is assessed by using customer / product segment specific scoring (application scorings for loans to private individuals) and rating instruments (corporates, small and medium-sized enterprises (hereinafter referred to as “SMEs”) , single ownership companies), which are constantly improved and tested for reliability following the results of the analysis of historical data on the credit risk related losses.

The aforementioned instruments except for corporates have been developed internally. The internal scoring and rating instruments are applied for decision making, pricing and monitoring.

Loans to private individuals are assessed based on internally developed statistical application scorings when decision is made. Consumer loans and mortgages are scored with different application scorings. Application data and customer credit history data are used for such assessment.

For corporates the international DnB NORD Group rating tool was implemented, although with local tailoring. Statistical financial indicator model is the main driver for assigning the final rating, while adjustments based on qualitative factors are very limited and are closely monitored by credit risk analysts, who do not benefit from the credit decisions.

New SMEs rating tool, which is mainly based on a statistical model of financial indicators developed on local historical data, was implemented in 2007. Adjustments of the final rating, which can be made based on qualitative factors, are limited. Subjectivity in assessing of qualitative factors is minimized by appropriate selection of factors that need to be taken into account and providing detailed guidelines for their assessment.

In 2007 separate rating tools for small companies with simplified financial reporting (the major part of which are single ownership companies) and farmers were implemented. Financial indicators have higher weighting than qualitative factors in both rating tools. Appropriate selection of qualitative factors for the scoring tools minimizes subjectivity in their assessment.

(b) Debt securities

Debt securities are in the region of 5 per cent of the total assets of the Group, therefore the credit risk arising from them is considered as being immaterial. Credit risk exposures are managed by carrying out borrower analysis when decision for acquisition of securities is made. Ratings of external rating agencies as well as internal ratings assigned by the parent Bank DnB NOR in case the borrower is a bank are important factors in decision making. The concentration risk arising from debt securities portfolio is analysed and monitored on a regular basis as well.

1.2. Risk limit control and mitigation policies

(a) Concentrations

The Group manages, limits and controls concentration of credit risk – in particular, to individual counterparties and groups of the associated counterparties as well as to economic sectors.

Complimentary to the Bank of Lithuania requirements to limit the exposures to a single borrower and large exposures, the Group also sets limits to industry segments, i.e. a possible concentration in certain industries at the Group level is restricted by the internal lending limits. Percentage and volume lending limits are set for individual industries. These limits, which are approved by the Management Board, are set based on annual rating of industries performed by the Economic Research Unit, macroeconomic analysis, current loan portfolio structure, incurred losses by economic sectors, the Group’s strategic plans.

In 2007, the loan portfolio of the Group was well diversified by industries.

The Group follows the conservative risk management policy and uses the 10% “hair-cut” from the following legally allowable limits imposed on:

1. Maximum exposure to a single borrower (Note 34);
2. Large exposures (Note 34);
3. Lending to Bank related parties (Note 33).

FINANCIAL RISK MANAGEMENT (continued)

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

Some other specific control and mitigation measures are outlined below.

(b) Collateral

The Group mitigates credit risk through taking of security for funds advances. Types of collateral considered by the Group as the most acceptable for loans and advances are the following:

- Real estate (mainly residential properties, commercial real estate);
- Business assets (equipment, inventory, transport vehicles);
- Property rights over financial instruments (debt securities, equities).

The term of the loans is taken into account when considering the type of collateral, a priority for long-term loans being the long-term property, mainly residential properties or long-term equipment.

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

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

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

(c) Derivatives

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

(d) Credit-related commitments

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

1.3. Impairment and provisioning policies

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

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

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

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

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

FINANCIAL RISK MANAGEMENT (continued)

1.4. Maximum exposure to credit risk before collateral held or other credit enhancements

	2007		2006	
	Group	Bank	Group	Bank
Credit risk exposures relating to on-balance sheet assets are as follows:				
Cash and balances with central banks	**475,595**	**475,592**	**352,032**	**352,029**
Loans and advances to banks	**327,329**	**327,328**	**290,134**	**290,134**
Loans and advances to customers:	**8,810,217**	**8,869,160**	**5,856,435**	**6,166,778**
Loans and advances to financial institutions	**130,557**	**189,377**	**38,291**	**348,634**
Loans to individuals (Retail):	**4,182,851**	**4,182,851**	**2,518,220**	**2,518,220**
- Consumer loans	560,274	560,274	434,880	434,880
- Mortgages	3,075,871	3,075,871	1,989,102	1,989,102
- Loans secured by equity linked bonds issued by Bank	512,628	512,628	78,591	78,591
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)	34,078	34,078	15,647	15,647
Loans to business customers:	**4,496,809**	**4,496,932**	**3,299,924**	**3,299,924**
- Central and local authorities, other administrative bodies	139,682	139,682	68,546	68,546
- Large corporates	2,061,373	2,061,373	1,428,377	1,428,377
- SMEs	2,014,618	2,014,741	1,569,630	1,569,630
- Farmers	273,190	273,190	232,184	232,184
- Other	7,946	7,946	1,187	1,187
Finance lease receivables	**754,338**		**480,173**	
- Individuals	35,995		19,243	
- Business customers	718,343		460,930	
Trading assets:	**3,214**	**3,214**	**24,150**	**24,150**
- Debt securities	3,111	3,111	24,150	24,150
- Equity securities	103	103		
Derivative financial instruments	**98,821**	**98,821**	**32,490**	**32,490**
Securities available for sale	**727,073**	**725,863**	**536,276**	**530,393**
- Debt securities	726,443	725,552	530,979	530,051
- Equity securities	630	311	5,297	342
Credit risk exposures relating to off –balance sheet items are as follows:				
Financial guarantees	165,503	666,272	99,071	99,071
Loan commitments and other credit related liabilities	1,907,232	1,812,932	1,341,303	1,279,783
At 31 December	**13,269,322**	**12,979,182**	**9,012,064**	**8,774,828**

The table above represents a worst case scenario of credit risk exposure at 31 December 2007 and 2006, without taking into account any credit risk mitigation techniques. On-balance sheet assets are reported above based on net carrying amounts as they appear in the balance sheet.

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

Loans and advances to banks and customers account for 69% of the total maximum exposure of the Group (2006: 72%) and for 71% of the total maximum exposure of the Bank (2006: 74%).

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

- The good quality of the portfolio of loans and advances to customers is reflected in maintaining a low ratio of impairment losses to the-Group's portfolio, which in 2005, 2006 and 2007 stood at 0.69%, 0.60% and 0.62% respectively;
- Mortgage loans and ~2/3 of loans and advances to business customers are secured by collateral (see paragraph 1.5(e) for more detailed information on collateralization);
- The Group has introduced more stringent standards for granting of loans and advances and improved its scorings and rating tools helping in decision making and monitoring, enabling better pricing of risk.

FINANCIAL RISK MANAGEMENT (continued)

1.5. Loans and advances

Loans and advances are summarised as follows:

31 December 2007

				2007
		Group		Bank
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	7,240,891	327,329	7,299,834	327,328
Past due but not impaired	1,415,261		1,415,261	
Impaired	208,803		208,803	
Gross	**8,864,955**	**327,329**	**8,923,898**	**327,328**
Less: allowance for impairment	(54,738)		(54,738)	
Net	**8,810,217**	**327,329**	**8,869,160**	**327,328**

31 December 2006

				2006
		Group		Bank
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	4,945,967	290,134	5,256,310	290,134
Past due but not impaired	825,126		825,126	
Impaired	120,639		120,639	
Gross	**5,891,732**	**290,134**	**6,202,075**	**290,134**
Less: allowance for impairment	(35,297)		(35,297)	
Net	**5,856,435**	**290,134**	**6,166,778**	**290,134**

During the year ended 31 December 2007, the Group's total loans and advances increased by 49%. The Group's total impairment provision for loans and advances is LTL 54,738 thousand (2006: LTL 35,297 thousand) and it accounts for 0.62% of the respective portfolio (2006: 0.60%). The Group's impaired loans and advances to customers make up 2.36% of the respective portfolio (2006: 2.05%).

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

a) Loans and advances neither past due nor impaired

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

All loans and advances to financial institutions are considered as standard exposures for the purpose of credit quality analysis. There were neither past due nor impaired loans and advances to financial institutions.

Loans to individuals are assessed based on application scorings when decision is made. After the loans are granted they are monitored based on their past due status. All loans to individuals, which are neither past due nor impaired are considered as standard loans from credit risk management view.

Credit quality of loans to business customers is disclosed in the tables below. Large corporates are rated based on rating tool for corporates (implemented by the end of 2006), and ratings for SMEs are assigned based on rating tools for SMEs and single ownership companies (both implemented in 2007). Business customers are assigned ratings at customer level on the rating scale from 1 to 9. Business customers, which are assigned the lowest rating category on the rating scale (9), are treated as high risk customers and are subject to special monitoring, while customers in categories from 1 to 5 are treated as low risk and those in categories from 6 to 8 - medium risk. As old rating tools were applied for SMEs in 2006 and farmers both in 2006 and 2007, rating results for these classes are incomparable and, therefore, not disclosed here. Central and local authorities, other administrative bodies are considered as low risk customers and are not rated (see paragraph 1.1(a) for more information on internal rating tools).

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

FINANCIAL RISK MANAGEMENT (continued)

31 December 2007

	Group and Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Loans secured by equity linked bonds issued by Bank	Other	Total
Total	**465,535**	**2,397,742**	**511,868**	**34,078**	**3,409,223**

	Group and Bank loans to individuals (retail)					
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Low risk (1 – 5)		1,065,277	857,396			1,922,673
Moderate risk (6 – 8)		378,017	431,811			809,828
High risk (9)		28,911	45,733			74,644
Not classified	104,918	300,696	260,339	220,067	7,946	893,966
Total	**104,918**	**1,772,901**	**1,595,279**	**220,067**	**7,946**	**3,701,111**

	Bank loans to business customers					
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Low risk (1 – 5)		1,065,277	857,396			1,922,673
Moderate risk (6 – 8)		378,017	431,811			809,828
High risk (9)		28,911	45,733			74,644
Not classified	104,918	300,696	260,462	220,067	7,946	894,089
Total	**104,918**	**1,772,901**	**1,595,402**	**220,067**	**7,946**	**3,701,234**

31 December 2006

	Group and Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Loans secured by equity linked bonds issued by Bank	Other	Total
Total	**362,846**	**1,595,783**	**78,591**	**15,644**	**2,052,864**

	Group and Bank loans to business customers					
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Low risk (1 – 5)		967,686				967,686
Moderate risk (6 – 8)		60,480				60,480
High risk (9)						
Not classified	62,896	252,669	1,313,840	196,054	1,187	1,826,646
Total	**62,896**	**1,280,835**	**1,313,840**	**196,054**	**1,187**	**2,854,812**

FINANCIAL RISK MANAGEMENT (continued)

b) Loans and advances past due but not impaired

Gross amount of loans and advances by class are reported in the tables below. At 31 December 2007 and 2006 there were no past due but not impaired loans in categories “Loans and advances to financial institutions” and “Loans and advances to banks” neither at Bank nor at the Group level.

The main reason for material volumes of loans and advances past due up to 3 days as of end of 2007 and 2006 is that repayments for customers were scheduled on the last working day of the year and payment settlement for part of customers was delayed because of non-working days.

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

31 December 2007

	Group and Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Loans secured by equity linked bonds issued by Bank	Other	Total
Past due up to 3 days	68,360	521,190	760		590,310
Past due 4- 40 days	14,073	98,153			112,226
Past due 41-90 days	56	3,368			3,424
Total	**82,489**	**622,711**	**760**		**705,960**
Fair value of collateral	6	610,792	760		611,558

	Group and Bank loans to business customers					
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Past due up to 3 days	34,763	273,371	292,276	32,306		632,716
Past due 4- 40 days		13,742	35,420	12,432		61,594
Past due 41-90 days			14,991			14,991
Total	**34,763**	**287,113**	**342,687**	**44,738**	**7,946**	**709,301**
Fair value of collateral	1,139	152,935	297,796	38,726		**490,596**

31 December 2006

	Group and Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Loans secured by equity linked bonds issued by Bank	Other	Total
Past due up to 3 days	52,832	331,472		3	384,307
Past due 4- 40 days	10,438	38,714			49,152
Past due 41-90 days		548			548
Total	**63,270**	**370,734**		**3**	**434,007**
Fair value of collateral		354,251		3	354,254

FINANCIAL RISK MANAGEMENT (continued)

						Group and Bank loans to business customers
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Past due up to 3 days	5,650	146,242	185,984	30,460		368,336
Past due 4- 40 days			17,173	5,281		22,454
Past due 41-90 days			329			329
Total	**5,650**	**146,242**	**203,486**	**35,741**		**391,119**
Fair value of collateral		95,671	173,970	27,764		**297,405**

c) Loans and advances individually impaired

Individually impaired loans and advances to customers amount to LTL 208,803 thousand (2006: LTL 120,639 thousand), of which individually impaired loans and advances to retail customer account for LTL 76,076 thousand (2006: LTL 35,974 thousand) and to business customers for LTL 132,727 thousand (2006: LTL 84,665 thousand). Accrued interest income for individually impaired loans and advances to customers amount to LTL 1,597 thousand as of December 31, 2007 (2006: LTL 905 thousand).

There are no individually impaired loans and advances to banks and financial institutions neither at Bank nor at the Group level as of December 31, 2007 and 2006.

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

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

					Group and Bank loans to individuals (retail)
	Consumer loans	Mortgages	Loans secured by equity linked bonds issued by Bank	Other	Total
31 December 2007					
Individually impaired loans	16,781	58,854		441	76,076
Fair value of collateral		58,559			58,559
31 December 2006					
Individually impaired loans	12,149	23,685		140	35,974
Fair value of collateral		23,076			23,076

						Group and Bank loans to business customers
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
31 December 2007						
Individually impaired loans		15,192	107,687	9,786	62	132,727
Fair value of collateral		15,192	95,499	9,607		120,298
31 December 2006						
Individually impaired loans		15,192	69,017	431	25	84,665
Fair value of collateral		15,192	60,491	431		76,114

FINANCIAL RISK MANAGEMENT (continued)

d) Loans and advances renegotiated

The Bank did not identify any renegotiated loans that after renegotiation became unimpaired.

e) Information about collaterals of loans

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding types of collateral. Market values (or purchase price, depending which is lower) are used for real estate and movable assets serving as collateral. In subsequent periods, the fair value of collateral is updated when exposure becomes impaired or regular monitoring of material credit risk related exposures indicates possibility of significant changes in collateral value.

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

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

Mortgage portfolio is well secured by real estate, mainly residential real estate. Other important credit risk mitigation technique in case of mortgages is credit insurance provided by the company Būsto paskolų draudimas UAB. It accounts for the main part of collateral reported under ‘guarantees’ and is treated as being equivalent to the State guarantee.

Collateralization of loans and advances to business customers is at 66% (2006: 68%). The most frequently used type of collateral in case of loans and advances to business customers is commercial real estate.

31 December 2007

	Group and Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Loans secured by equity linked bonds issued by Bank	Other	Total
Unsecured loans	**564,757**	**68,081**	**9,965**	**10,536**	**653,339**
Loans collateralized by:	**48**	**3,011,226**	**502,663**	**23,983**	**3,537,920**
- residential real estate		1,980,997	2,092		1,983,089
- other real estate		585,502	1,979		587,481
- securities	14	79	498,592	23,983	522,668
- guarantees		444,598			444,598
- other assets	34	50			84
Total	**564,805**	**3,079,307**	**512,628**	**34,519**	**4,191,259**

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

FINANCIAL RISK MANAGEMENT (continued)

	Group loans to business customers					
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Unsecured loans	**138,542**	**915,964**	**459,931**	**23,779**	**1,537**	**1,539,753**
Loans collateralized by:	**1,139**	**1,159,242**	**1,585,722**	**250,812**	**6,471**	**3,003,386**
- residential real estate		51,042	139,058	19,078		209,178
- other real estate		860,741	1,258,207	84,278		2,203,226
- securities		128,534	20,006	1,360	6,471	156,371
- guarantees	1,139	6,859	85,673	64,084		157,755
- other assets		112,066	82,778	82,012		276,856
Total	**139,681**	**2,075,206**	**2,045,653**	**274,591**	**8,008**	**4,543,139**

	Bank loans to business customers					
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Unsecured loans	**138,542**	**915,964**	**460,054**	**23,779**	**1,537**	**1,539,876**
Loans collateralized by:	**1,139**	**1,159,242**	**1,585,722**	**250,812**	**6,471**	**3,003,386**
- residential real estate		51,042	139,058	19,078		209,178
- other real estate		860,741	1,258,207	84,278		2,203,226
- securities		128,534	20,006	1,360	6,471	156,371
- guarantees	1,139	6,859	85,673	64,084		157,755
- other assets		112,066	82,778	82,012		276,856
Total	**139,681**	**2,075,206**	**2,045,776**	**274,591**	**8,008**	**4,543,262**

	Group		Bank	
	Loans and advances to financial institutions	Loans and advances to banks	Loans and advances to financial institutions	Loans and advances to banks
Unsecured loans	**105,281**	**272,105**	**164,101**	**272,104**
Loans collateralized by:	**25,276**	**55,224**	**25,276**	**55,224**
- residential real estate	107		107	
- other real estate				
- securities	25,169	55,224	25,169	55,224
- guarantees				
- other assets				
Total	**130,557**	**327,329**	**189,377**	**327,328**

FINANCIAL RISK MANAGEMENT (continued)

31 December 2006

	Group and Bank loans to individuals (retail)				
	Consumer loans	Mortgages	Loans secured by equity linked bonds issued by Bank	Other	Total
Unsecured loans	**438,212**	**55,274**	**2,666**	**7,526**	**503,678**
Loans collateralized by:	**53**	**1,934,928**	**75,925**	**8,261**	**2,019,167**
- residential real estate		1,316,414			1,316,414
- other real estate		344,306			344,306
- securities			75,925	8,194	84,119
- guarantees		274,150			274,150
- other assets	53	58		67	178
Total	**438,265**	**1,990,202**	**78,591**	**15,787**	**2,522,845**

	Group and Bank loans to business customers					
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Unsecured loans	**65,888**	**676,253**	**281,164**	**27,711**	**1,212**	**1,052,228**
Loans collateralized by:	**2,658**	**766,016**	**1,305,179**	**204,515**		**2,278,368**
- residential real estate		42,525	76,958	14,078		133,561
- other real estate		502,984	1,053,704	56,467		1,613,155
- securities		155,552	10,376			165,928
- guarantees	2,658	7,366	65,606	58,228		133,858
- other assets		57,589	98,535	75,742		231,866
Total	**68,546**	**1,442,269**	**1,586,343**	**232,226**	**1,212**	**3,330,596**

	Group		Bank	
	Loans and advances to financial institutions	Loans and advances to banks	Loans and advances to financial institutions	Loans and advances to banks
Unsecured loans	**37,276**	**285,184**	**347,619**	**285,184**
Loans collateralized by:	**1,015**	**4,950**	**1,015**	**4,950**
- residential real estate	131		131	
- other real estate				
- securities	884	4,950	884	4,950
- guarantees				
- other assets				
Total	**38,291**	**290,134**	**348,634**	**290,134**

FINANCIAL RISK MANAGEMENT (continued)

1.6. Finance lease receivables

Finance lease receivables are summarised as follows:

			2007			2006
	Individuals	Business customers	Total	Individuals	Business customers	Total
Neither past due nor impaired	31,382	609,374	640,756	17,072	409,419	426,491
Past due but not impaired	3,228	88,759	91,987	1,255	29,439	30,694
Impaired	1,438	22,121	23,559	941	23,253	24,194
Gross	**36,048**	**720,254**	**756,302**	**19,268**	**462,111**	**481,379**
Less: allowance for impairment	(53)	(1,911)	(1,964)	(25)	(1,181)	(1,206)
Net	**35,995**	**718,343**	**754,338**	**19,243**	**460,930**	**480,173**

During the year ended 31 December 2007, finance lease receivables portfolio increased by 57%. Total impairment provision for finance lease receivables is LTL 1,964 thousand (2006: LTL 1,206 thousand) and it accounts for 0.26% of the respective portfolio (2006: 0.25%).

a) Finance lease receivables neither past due nor impaired

Finance lease receivables from individuals are assessed based on application scorings when decision is made. After the finance lease receivables are granted they are monitored based on their past due status. All finance lease receivables to individuals, which are neither past due nor impaired are considered as standard from credit risk management view.

Credit quality of finance lease receivables from business customers is disclosed in the tables below. Business customers are rated based on rating tools for corporates, SMEs and single ownership companies, which for business customer finance lease portfolio were implemented in 2007 with several months lag if compared to the Bank's loan and advances to business customers portfolio. Business customers are assigned ratings at customer level on the rating scale from 1 to 9. Business customers, which are assigned the lowest rating category on the rating scale (9), are treated as high risk customers and are subject to special monitoring, while customers in categories from 1 to 5 are treated as low risk and those in categories from 6 to 8 - medium risk. Rating results for business customers rated by means of old rating tools are incomparable, and, therefore, such customers are reported as not classified.

	2007	2006
	Business customers	Business customers
Low risk (1 – 5)	119,696	
Moderate risk (6 – 8)	46,446	
High risk (9)	1,858	
Not classified	441,374	409,419
Total	**609,374**	**409,419**

b) Finance lease receivables past due but not impaired

Finance lease receivables reported as past due up to 3 days are mainly due to the fact that repayments for customers were scheduled on the last working day of the year and payment settlement was delayed because of non-working days.

			2007			2006
	Individuals	Business customers	Total	Individuals	Business customers	Total
Past due up to 3 days		45	45		2,294	2,294
Past due 4-40 days	3,228	88,714	91,942	1,255	21,962	23,217
Past due 41-90 days					5,183	5,183
Total	**3,228**	**88,759**	**91,987**	**1,255**	**29,439**	**30,694**
Fair value of risk mitigation measures	3,201	84,083	**87,284**	1,252	29,144	**30,396**

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

FINANCIAL RISK MANAGEMENT (continued)

c) Finance lease receivables individually impaired

	Individuals	Business customers	Total
31 December 2007			
Individually impaired	1,438	22,121	23,559
Fair value of risk mitigation measures	1,400	21,573	22,973
31 December 2006			
Individually impaired	941	23,253	24,194
Fair value of risk mitigation measures	934	22,901	23,835

d) Information about risk mitigation measures for finance lease receivables

Upon initial recognition of financial lease receivables, the fair value of risk mitigation measures is based on valuation approaches commonly used for the corresponding types of assets. Market values are used for real estate and movable assets serving as risk mitigation measures. In subsequent periods, the fair value of risk mitigation measures is updated based on its depreciation rates or when exposure becomes impaired.

If exposure is secured by several different types of risk mitigation measures, priority in their recognition is based on their liquidity. Transport vehicles are treated as having highest liquidity followed by residential real estate and then other real estate. Equipment and other assets are treated as having lowest liquidity.

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

			2007			2006
	Individuals	Business customers	Total	Individuals	Business customers	Total
Unsecured finance lease receivables	**438**	**23,952**	**24,390**	**287**	**10,948**	**11,235**
Finance lease receivables secured by:	**35,610**	**696,302**	**731,912**	**18,981**	**451,163**	**470,144**
- transport vehicles	33,036	382,709	415,745	16,053	264,129	280,182
- residential real estate	804	2,822	3,626	947	3,055	4,002
- other real estate	1,315	110,683	111,998	1,669	72,272	73,941
- equipment	354	138,733	139,087	245	84,789	85,034
- other assets	101	61,355	61,456	67	26,918	26,985
Total	**36,048**	**720,254**	**756,302**	**19,268**	**462,111**	**481,379**

1.7. Debt trading securities and debt securities available for sale

Table below presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2007 based on Moody's ratings or their equivalent.

Bank

Rating		Debt trading securities		Debt securities available for sale
	Bonds	T-Bills	Total	Bonds
Aaa				17,067
From Aa3 to Aa1				506,243
From A3 to A1	1,089	487	1,576	176,220
Baa1				16,840
No rating	1,535		1,535	9,182
Total	**2,624**	**487**	**3,111**	**725,552**

FINANCIAL RISK MANAGEMENT (continued)

Group

Bank Rating	Debt trading securities			Debt securities available for sale
	Bonds	T-Bills	Total	Bonds
Aaa				17,067
From Aa3 to Aa1				506,243
From A3 to A1	1,089	487	1,576	177,110
Baa1				16,840
No rating	1,535		1,535	9,182
Total	**2,624**	**487**	**3,111**	**726,443**

1.8. Repossessed collateral

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

Nature of assets	Carrying amount			
	2007		2006	
	Group	Bank	Group	Bank
Property	201	201	624	624
Total	**201**	**201**	**624**	**624**

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

FINANCIAL RISK MANAGEMENT (continued)

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

Industry sectors

The following table breaks down the main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

Bank

	Financial intermediation	Agriculture, hunting, forestry, fishing	Manu-facturing	Electricity, gas, water supply	Construc-tion	Wholesale and retail trade	Transport, storage, communication	Real Estate Activities	Public sector	Other industries	Private individuals	Not attributed	Total
Cash and balances with central banks	**475,592**												**475,592**
Loans and advances to banks	**327,328**												**327,328**
Loans and advances to customers:	**189,377**	**462,377**	**749,867**	**129,265**	**370,885**	**753,455**	**189,289**	**1,015,488**	**139,682**	**678,678**	**4,182,851**	**7,946**	**8,869,160**
Loans and advances to financial institutions	**189,377**												**189,377**
Loans to individuals (Retail):											**4,182,851**		**4,182,851**
- Consumer loans											560,274		560,274
- Mortgages											3,075,871		3,075,871
- Loans secured by equity linked bonds issued by Bank											512,628		512,628
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)											34,078		34,078
Loans to business customers:		**462,377**	**749,867**	**129,265**	**370,885**	**753,455**	**189,289**	**1,015,488**	**139,682**	**678,678**		**7,946**	**4,496,932**
- Central and local authorities, other administrative bodies									139,682				139,682
- Large corporates		100,095	425,086	107,013	119,933	284,006	73,427	497,463		454,350			2,061,373
- SMEs		89,092	324,781	22,252	250,952	469,449	115,862	518,025		224,328			2,014,741
- Farmers		273,190											273,190
- Other												7,946	7,946
Trading assets:	**1,550**		**23**		**6**				**1,576**	**59**			**3,214**
- Debt securities	1,535								1,576				3,111
- Equity securities	15		23		6					59			103
Derivative financial instruments	**97,573**	**184**	**140**				**438**	**25**		**216**	**245**		**98,821**
Securities available for sale	**725,814**									**49**			**725,863**
- Debt securities	725,552												725,552
- Equity securities	262									49			311
Credit risk exposures relating to off –balance sheet items are as follows:													
Financial guarantees	500,974	683	3,928	31	67,745	60,713	10,123	128		13,538		8,409	666,272
Loan commitments and other credit related liabilities	38,562	47,038	306,060	113,910	133,872	275,400	34,097	377,646	15,955	116,016	291,400	62,976	1,812,932
At 31 December 2007	**2,356,770**	**510,282**	**1,060,018**	**243,206**	**572,508**	**1,089,568**	**233,947**	**1,393,287**	**157,213**	**808,556**	**4,474,496**	**79,331**	**12,979,182**
At 31 December 2006	**1,527,818**	**386,019**	**896,579**	**169,281**	**398,846**	**829,946**	**149,330**	**895,888**	**151,963**	**564,308**	**2,752,753**	**52,097**	**8,774,828**

FINANCIAL RISK MANAGEMENT (continued)

Group

	Financial intermedia-tion	Agriculture, hunting, forestry, fishing	Manu-facturing	Electricity, gas, water supply	Construction	Wholesale and retail trade	Transport, storage, communi-cation	Real Estate Activities	Public sector	Other industries	Private individuals	Not attributed	Total
Cash and balances with central banks	**475,592**												**475,595**
Loans and advances to banks	**327,329**												**327,328**
Loans and advances to customers:	**130,557**	**462,377**	**749,867**	**129,265**	**370,885**	**753,455**	**189,289**	**1,015,365**	**139,682**	**678,678**	**4,182,851**	**7,946**	**8,810,217**
Loans and advances to financial institutions	**130,557**												**130,557**
Loans to individuals (Retail):											**4,182,851**		**4,182,851**
- Consumer loans											560,274		560,274
- Mortgages											3,075,871		3,075,871
- Loans secured by equity linked bonds issued by Bank											512,628		512,628
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)											34,078		34,078
Loans to business customers:		**462,377**	**749,867**	**129,265**	**370,885**	**753,455**	**189,289**	**1,015,365**	**139,682**	**678,678**		**7,946**	**4,496,809**
- Central and local authorities, other administrative bodies									139,682				139,682
- Large corporates		100,095	425,086	107,013	119,933	284,006	73,427	497,463		454,350			2,061,373
- SMEs		89,092	324,781	22,252	250,952	469,449	115,862	517,902		224,328			2,014,618
- Farmers		273,190											273,190
- Other												7,946	7,946
Finance lease receivables	**641**		**92,888**			**100,472**		**45,623**	**17,950**	**460,769**	**35,995**		**754,338**
Trading assets:	**1,550**		**23**		**6**				**1,576**	**59**			**3,214**
- Debt securities	1,535								1,576				3,111
- Equity securities	15		23		6					59			103
Derivative financial instruments	**97,573**	**184**	**140**				**438**	**25**		**216**	**245**		**98,821**
Securities available for sale	**726,133**								**891**	**49**			**727,073**
- Debt securities	725,552								891				726,443
- Equity securities	581									49			630
Credit risk exposures relating to off –balance sheet items are as follows:													
Financial guarantees	205	683	3,928	31	67,745	60,713	10,123	128		13,538		8,409	165,503
Loan commitments and other credit related liabilities	7,352	47,038	306,060	113,910	133,872	275,400	34,097	377,269	15,955	116,016	291,400	188,863	1,907,232
At 31 December 2007	**1,766,935**	**510,282**	**1,152,906**	**243,206**	**572,508**	**1,190,040**	**233,947**	**1,438,410**	**176,054**	**1,269,325**	**4,510,491**	**205,218**	**13,269,322**
At 31 December 2006	**1,217,857**	**386,019**	**954,566**	**169,281**	**398,846**	**901,274**	**149,330**	**937,068**	**177,401**	**829,654**	**2,771,996**	**118,772**	**9,012,064**

FINANCIAL RISK MANAGEMENT (continued)

2. Market risk

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

Interest rate risk is assessed by calculation of the Group's positions' sensitivity to interest rate change by 1 basis point, whereas the exchange rate risk is evaluated by calculation of open foreign exchange positions. The aforementioned calculations are performed daily and submitted to the Bank's Management Board, the members of ALCO committee and Investment Banking department. The interest rate and foreign exchange risk are restricted by the limits determined by the ALCO of the international DnB NORD Group which are monitored daily by Financial risk management department and reported regularly to the Bank's Management Board. Regular reports on market risk exposures are submitted to the Bank's management board.

2.1 Market risk measurement techniques

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

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

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

2.2. Foreign exchange risk

Note 31 reveals that the Group has exposure to EUR, exposures to other currencies are not significant. The Group follows a very conservative approach to foreign exchange risk and limits EUR position with the limit set by the ALCO of international DnB NORD Group.

Sensitivity of FX risk

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

FX	Reasonable shift
LVL	1.50%
PLN	2.50%
DKK	2.50%
USD	2.50%
EEK	2.50%
Other currencies	5.00%

The presumable FX rate change creates acceptable impact on Bank's and Group's annual profit and makes LTL 190 thousand in 2007 (2006: LTL 167 thousand) higher/lower impact on profit.

The Bank's exposure to foreign currency exchange rate risk is summarised in Note 31.

2.3. Interest rate risk

The Group has exposure to interest rate risk in LTL and EUR, interest rate risk in other currencies is not significant. Interest rate risk in LTL is mostly asset oriented, on the other side, interest rate risk in EUR is liability oriented. Both interest rate risk from single currency (like LTL, EUR, USD) and netted currency position (like EUR+LTL) are calculated and monitored on a daily basis, using the basis point value (bpv) analysis. As the Group follows a very conservative approach in interest rate risk both separate currency and netted position risk is restricted by the limits to 1 bpv set by the ALCO of international DnB NORD Group.

1 bpv is calculated on a basis of interest rate gap report, which is the analysis of difference between assets and liabilities distributed by appropriate time buckets according to each currency. This report is adjusted to reflect only interest rate sensitive balances. Interest rate and FX derivatives are included in the calculations at nominal amounts and in contractual term till maturity.

FINANCIAL RISK MANAGEMENT (continued)

34.5% from total demand deposits from customers are excluded from the gap report: 15.5% of total demand deposits are included into the shortest term bucket, as they are treated as interest rate sensitive due to the fact that market interest rate for these deposits is paid; in addition, 50% of total demand deposits are treated as deposit base and presumed to be long term funding, in bpv calculation the term of these deposits is treated as being up to 6 month.

After these adjustments, the gaps of liabilities and assets in every time bucket are summed up and the present value of every gap is calculated using the zero coupon bond yield curve for each currency (LTL, EUR, USD). Assuming parallel shift of the yield curve, 1 basis point is added to every yield of a curve and the present value is recalculated. The difference of these two present values is defined as the basis point value. The bpv reflect the impact of the parallel shift of the yield curve to the net profit before taxes.

The Bank's and Group's exposure to interest rate risk as of 31 December 2007 (basis point value):

Risk	Bank	DnB NORD lizingas	DnB NORD investiciju valdymas	Elimination effect	Consolidated
LTL	(84.6)	0.1	(0.2)	0.5	(84.2)
EUR	61.9	(9.6)		(0.1)	52.2
USD	0.8			0.6	1.4

The Group's exposure to interest rate risk as of 31 December 2006 (basis point value):

Risk	Bank	DnB NORD lizingas	DnB NORD investiciju valdymas	Elimination effect	Consolidated
LTL	(92.9)	(0.4)	(0.3)	1.6	(92.0)
EUR	44.0	0.8		(1.6)	43.2
USD	4.9				4.9

The Bank's interest rate gap is summarized in Note 32.

Sensitivity of interest rate risk

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

Reasonable annual shift in bp	LTL	EUR	USD
2007	100	50	50
2006	50	50	50

The shift of yield curve according to the above mentioned parameters creates acceptable impact on Group's and Bank's net profit and makes LTL 5,880 thousand and LTL 5,420 thousand in 2007 (2006: LTL 2,685 thousand and LTL 2,690 thousand) higher/lower impact on profit respectively.

2.4 Equity risk

Equity risk was not assessed due to immaterial volumes.

FINANCIAL RISK MANAGEMENT (continued)

3. Liquidity risk

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

3.1. Liquidity risk management process

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

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

Liquidity gap is calculated by looking at the Banks' net refinancing situation within one week and one month applying a "business as usual" approach. Liquid assets and short term liabilities are included into the calculation of liquidity gap. Liquid assets include cash, part of loan and advances to banks according to maturity analysed (maturing up to 1 week or 1 month), as well as balances in correspondent bank accounts and reverse repurchase balances with corresponding maturities. In addition, 90% of debt securities are included into liquid assets base (10% haircut is applied). Short term liabilities include balances due to banks, term deposits to customers and debt securities in issue according to maturity analysed (maturing up to 1 week or 1 month). In addition, 10% of demand deposits to customers are included into short term liabilities assuming that these may be withdrawn. Liquidity gap is calculated as a difference between short term liabilities and liquid assets adjusted for the expected growth in funding needs (expected loans to customers less expected deposits from customers attracted) for the forthcoming period (either 1 week or 1 month depending on the gap analysed).

		31 December 2007		31 December 2006
	1 week	1 week	1 week	1 month
Lim Liquidity gap	399.8	-202.7	610.5	137.4
Limit	-690.6	-690.6	-690.6	-690.6

Funding ratio shows how stable is the Bank's situation in terms of funding. The limit of funding ratio is 0.85, which means that not less than 85% of all loans to customers should be funded with the long term liabilities and equity. Long term liabilities include long term funding from the DnB NOR and Nord/LB banks which is treated as perpetual debt in the funding ratio calculation. Also funding in the form of issued debt securities, loans from other banks and subordinated loans is included into long term liabilities if maturity exceeds one year. Individual customer deposits comprising more than 5% of total deposit to customers are not treated as long term funding and are not included into the long term liabilities. The rest part of deposits to customers, multiplied by 90% stability ratio, is included into the long term liabilities. Total equity is also included into the long term funding. The funding ratio is calculated by dividing the long term funding by loans to customers. The ratio shows the proportion by which loans to customers are covered by the long term funding.

	31 December 2007	31 December 2006
Funding ratio	0.97	0.93

Note 30 analyzes assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date as well as the liquidity ratio requirement set by the Bank of Lithuania.

FINANCIAL RISK MANAGEMENT (continued)

3.2. Funding approach

After joining the international DnB NORD Group, the bank obtained a new possibility of attracting funding at minimum cost. The parent Banks DnB NOR (counterparty credit rating being A+/Positive/A-1 (Standard & Poor's) as of 31 March, 2007) and NORD/LB (counterparty credit rating being A/Positive/A-1 (Standard & Poor's) as of 31 July, 2007) are the lenders of last resort and provide the financing for the Bank in the cases of faltered liquidity.

3.3. Non – derivative cash flows

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

Bank

31 December 2007	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	260,913	741,767	1,418,672	1,953,795	64,139	4,439,286
Due to customers	3,307,683	353,200	534,502	61,562	4,207	4,261,154
Debt securities in issue	60,539	132,244	146,278	827,553		1,166,614
Special and lending funds	15,824					15,824
Other financial liabilities	33,393					33,393
Subordinated loans	1,302	1,379	11,481	56,463	306,585	377,210
Total liabilities (contractual maturity dates)	3,679,654	1,228,590	2,110,933	2,899,373	374,931	10,293,481

Group

31 December 2007	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	263,424	995,713	1,538,686	2,392,151	64,139	5,254,113
Due to customers	3,293,243	353,200	534,502	61,562	4,207	4,246,714
Debt securities in issue	60,539	132,244	146,278	827,553		1,166,614
Special and lending funds	15,824					15,824
Other financial liabilities	52,777	144	649	2,000	86	55,656
Subordinated loans	1,302	1,379	11,481	56,463	306,585	377,210
Total liabilities (contractual maturity dates)	3,687,109	1,482,680	2,231,596	3,339,729	375,017	11,116,131

Bank

31 December 2006	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	712,688	315,409	515,652	1,682,204		3,225,953
Due to customers	2,312,048	263,068	438,939	92,156	6,201	3,112,412
Debt securities in issue	4,049	815	228,516	323,070		556,450
Special and lending funds	9,890					9,890
Other financial liabilities	32,439					32,439
Subordinated loans	1,022	1,109	6,359	33,982	227,942	270,414
Total liabilities (contractual maturity dates)	3,072,136	580,401	1,189,466	2,131,412	234,143	7,207,558

FINANCIAL RISK MANAGEMENT (continued)

Group

31 December 2006	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Due to banks	714,752	315,409	521,777	1,899,614		3,451,552
Due to customers	2,308,821	263,068	438,939	92,156	6,201	3,109,185
Debt securities in issue	4,049	815	228,516	323,070		556,450
Special and lending funds	9,890					9,890
Other financial liabilities	44,740	157	668	1,117	30	46,712
Subordinated loans	1,022	1,109	6,359	33,982	227,942	270,414
Total liabilities (contractual maturity dates)	3,083,274	580,558	1,196,259	2,349,939	234,173	7,444,203

3.4. Derivative cash flows

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

a) Derivatives settled on a net basis

31 December 2007	Up to 1 month	1-3 months	3 to 12 months	1 to 5 years	Total
Derivatives held for trading					
- Interest rate derivatives	358	10,394	26,241	22,666	59,659
- Equity derivatives	85,888				85,888
- Commodity derivatives	2,471				2,471
Total	88,717	10,394	26,241	22,666	148,018

31 December 2006	Up to 1 month	1-3 months	3 to 12 months	1 to 5 years	Total
Derivatives held for trading					
- Foreign exchange derivatives	10		31		41
- Interest rate derivatives		3,454	38,575	28,505	70,534
- Equity derivatives	28,810				28,810
Total	28,820	3,454	26,241	28,505	99,385

b) Derivatives settled on a gross basis

Bank

31 December 2007	Up to 1 month	1-3 months	3 to 12 months	1 to 5 years	Total
Derivatives held for trading					
Foreign exchange derivatives					
Outflow	1,395,343	248,125	150,162	14,853	1,808,483
Inflow	1,394,139	249,171	150,602	15,008	1,808,920
Total outflow	1,395,343	248,125	150,162	14,853	1,808,483
Total inflow	1,394,139	249,171	150,602	15,008	1,808,920

FINANCIAL RISK MANAGEMENT (continued)

Bank

31 December 2006	Up to 1 month	1-3 months	3 to 12 months	1 to 5 years	Total
Derivatives held for trading					
Foreign exchange derivatives					
Outflow	176,796	87,150	4,029	10,117	278,092
Inflow	176,813	87,148	4,000	9,970	277,931
Total outflow	176,796	87,150	4,029	10,117	278,092
Total inflow	176,813	87,148	4,000	9,970	277,931

3.5. Off - balance sheet items

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

Bank

	Up to one year	From 1to 5 years	Over 5 years	Total
31 December 2006				
Guarantees	303,113	361,191	1,968	666,272
Leters of credit	14,655	863		15,518
Loan commitments	896,283	869,185	19,773	1,785,241
Operating lease commitments	1,044	4,154	849	6,047
Other commitments	664	831	1,126	2,621
Total	1,215,759	1,236,224	23,716	2,475,699
At 31 December 2006				
Guarantees	52,125	46,602	344	99,071
Leters of credit	2,780	3,650		6,430
Loan commitments	749,866	504,021	11,059	1,264,946
Operating lease commitments	1,142	4,157	1,868	7,167
Other commitments	805	435		1,240
Total	**806,718**	**558,865**	**13,271**	**1,378,854**

Group

	Up to one year	From 1to 5 years	Over 5 years	Total
31 December 2006				
Guarantees	61,304	102,231	1,968	165,503
Leters of credit	14,655	863		15,518
Loan commitments	883,631	869,185	838	1,753,654
Finance lease commitments	116,213			116,213
Operating lease commitments	1,019	4,077	849	5,945
Other commitments	10,441	830	1,126	12,397
Total	**1,087,263**	**977,186**	**4,781**	**2,069,230**
At 31 December 2006				
Guarantees	52,125	46,602	344	99,071
Leters of credit	2,780	3,650		6,430
Loan commitments	749,866	498,867	11,059	1,259,792
Finance lease commitments	58,979			58,979
Operating lease commitments	1,019	4,077	1,868	6,964
Other commitments	8,703	435		9,138
Total	**873,472**	**553,631**	**13,271**	**1,440,374**

FINANCIAL RISK MANAGEMENT (continued)

4. Fair value of financial assets and liabilities

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

Bank

As at 31 December 2007	Balance sheet value	Fair value
Assets		
Loans and advances to customers of which:	8,869,160	8,156,139
-Loans to individuals	4,182,851	3,846,578
-Loans to business customers	4,496,932	4,135,409
-Loans and advances to financial institutions	189,377	174,152
Liabilities		
Due to banks	4,172,686	4,179,982
Due to customers	4,226,093	4,239,631
Debt securities in issue	1,116,124	1,052,177
Subordinated loans	263,570	264,843

Bank

As at 31 December 2007	Balance sheet value	Fair value
Assets		
Loans and advances to customers of which:	6,166,778	5,919,465
-Loans to individuals	2,518,220	2,417,229
-Loans to business customers	3,299,924	3,167,584
-Loans and advances to financial institutions	348,634	334,652
Liabilities		
Due to banks	3,121,057	3,105,394
Due to customers	3,098,598	3,088,728
Debt securities in issue	553,601	519,005
Subordinated loans	199,054	193,762

Fair value of loans and advances to banks is close to carrying value because of short maturity of theses assets.

5. Operational Risk

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

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

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

The Group manages the operational risk by accepting it (in this case specific provisions are made for the operational risk upon evaluation of the anticipated losses due to the operational risk events), minimising it, i.e. insurance, implementation of internal control measures, outsourcing and avoiding. The operational risk losses are quarterly reported to the Group's management bodies.

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

FINANCIAL RISK MANAGEMENT (continued)

In 2007 the Group continued to develop the operational risk management and control systems. The operational risk reporting system was extended: besides reporting to the Management Board the reporting to the managers of the Bank's business units was established. In addition, the procedure regarding the operational risk management decisions was built. In December 2007 the Bank performed a comprehensive self-assessment at the Bank level (encompassing all of the main Bank's activities) and results are still analysed.

6. Stress tests

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

The results of the stress tests are submitted to the Group's management bodies on quarterly basis.

7. Capital management

The capital of DnB NORD Group is calcu¬lated and allocated for the risk coverage following the General Regulations for the Calculation of Capital Adequacy approved by the Bank of Lithuania Board. The Group's objectives when managing capital are:

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

Capital adequacy and the use of the regulatory capital are monitored on a daily basis and information regarding capital adequacy is submitted to the supervising authority quarterly in accordance with the Bank of Lithuania requirements.

The Bank of Lithuania has set the following minimum capital requirements:

1) minimum level of capital,
2) minimum capital adequacy ratio, calculated as the regulatory capital to the risk-weighted assets, must be no less than 8%.

Additional capital need for credit, operational, market and liquidity risk is subject to the regular stress-testing.

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

1) Tier 1 capital consists of the ordinary shares, share premium and retained earnings of the previous financial year less the intangible assets,
2) Tier 2 capital consists of the revaluation reserves of the property, plant, equipment and financial assets, mandatory reserve, prescribed percentage of the audited retained earnings of the current financial year, calculated in accordance with the regulatory requirements, subordinated loans.

The regulatory capital is calculated as the sum of the previously mentioned tier 1 and tier 2 capital less the investments in other credit or financial institution.

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

FINANCIAL RISK MANAGEMENT (continued)

The table below summarizes the composition of regulatory capital and the ratios of the Bank and Group for the years ended 31 December. During those two years, the Group complied with capital requirements to which it is subject.

		2007		2006
	Group	Bank	Group	Bank
Tier 1 capital				
Ordinary shares	363,692	363,692	311,736	311,736
Share premium	205,747	205,747	92,800	92,800
Previous year retained earnings	54,249	52,633	7,605	5,386
Intangible assets	(8,932)	(8,202)	(7,096)	(6,806)
Total Tier 1 capital	**614,756**	**613,870**	**405 045**	**403 116**
Tier 2 capital				
Mandatory reserve	7,044	6,849	3,875	3,749
Property, plant and equipment revaluation reserve	842	842	863	863
Revaluation reserve on property, plant and equipment sold or fully depreciated	21	21	44	44
Financial assets revaluation reserve	(5,876)	(5,840)	(277)	(287)
Calculated audited net profit for the year			11,764	12,490
Subordinated loans	260,686	260,686	196,810	196,810
Total Tier 2 capital	**262,717**	**262,558**	**213,079**	**213,669**
Investments in other credit or financial institutions		(5,580)		(5,580)
Total capital	**877,473**	**870,848**	**618,124**	**611,205**
Risk weighted items of banking book:				
On – balance sheet	8,316,459	7,531,758	5,687,188	5,458,003
Off – balance sheet	922,111	1,151,526	621,252	604,237
Total risk – weighted items of banking book	**9,238,570**	**8,683,284**	**6,308,440**	**6,062,240**
Total risk – weighted items of trading book	**119,750**	**115,975**	**106,838**	**106,825**
Total risk weighted assets and off-balance sheet items	**9,358,320**	**8,799,259**	**6,415,278**	**6,415,278**
Capital ratio, %	**9.38**	**9.90**	**9.64**	**9.91**

According to the regulations approved by the Bank of Lithuania, only part of audited net profit for the year is included into Tier 2 capital calculations; subordinated loans are included into Tier 2 capital calculations without accrued interest (in the balance sheet subordinated loans are reported including accrued interest, which as of 31 December 2007 amounted LTL 2,884 thousand (2006 – LTL 2,244 thousand)); only part of investments in other credit or financial institutions are included into capital calculations.

The implementation of the new Basel Capital Accord (also known as Basel II) requirements at international DnB NORD group level started in 2006 and is coordinated by the largest shareholder of the Bank, Bank DnB NORD A/S (Copenhagen).

Upon implementation of the General Regulations for the Calculation of Capital Adequacy, approved by Bank of Lithuania Board, the Bank will apply the standardized approach for calculation of the credit, market and the operational risks from 2008. In the long run the bank plans to implement the internal ratings based approach for capital need as it regards credit risk calculations. In 2007, following the requirements of the Bank of Lithuania, the Group implemented the Internal Capital Adequacy Assessment Process (ICAAP). These are the supplementary (Pillar II) requirements to the regulatory capital adequacy (Pillar I) calculation. In accordance with the ICAAP the Group will be required, in a composite and comprehensive manner, to identify its risks, assess its risk management and its internal capital adequacy in relation thereto.

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

SEGMENT INFORMATION

Primary reporting format – business segments

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

Year ended 31 December 2007

	Banking	Leasing	Investment management	Real estate brokerage	Eliminations	Group
Internal	9,048	(8,302)	(654)	73	(165)	
External	320,163	19,277	3,265	133	(1,333)	341,505
Net income from the main operations	329,211	10,975	2,611	206	(1,498)	341,505
Internal	(165)	(25)	(33)	(9)	232	
External	(140,506)	(4,677)	(993)	(884)	23	(147,037)
Operating expenses	(140,671)	(4,702)	(1,026)	(893)	255	(147,037)
Depreciation and amortisation charges	(11,661)	(4,153)	(35)	(37)	77	(15,809)
Internal	67				(67)	
External	(45,379)	(1,725)	(283)		(234)	(47,621)
Net other income (expenses)	(45,312)	(1,725)	(283)		(301)	(47,621)
Profit (loss) before tax	131,567	395	1,267	(724)	(1,467)	131,038
Income tax	(23,252)	(342)	(4)			(23,598)
Change of deferred tax	(431)	111	(203)			(523)
Net profit (loss)	107,884	164	1,060	(724)	(1,467)	106,917
Total assets	10,631,469	858,264	3,708	535	(80,770)	11,413,206
Total liabilities	9,899,641	853,635	448	259	(73,413)	10,680,570
Shareholders' equity	731,828	4,629	3,260	276	(7,357)	732,636
Capital additions	25,854	15,093		341		41,288

SEGMENT INFORMATION (Continued)

Year ended 31 December 2007

	Banking	Leasing	Investment management	Eliminations	Group
Internal	11,354	(10,085)	(432)	(837)	
External	193,495	20,840	1,401	(1,500)	214,236
Net income from the main operations	204,849	10,755	969	(2,337)	214,236
Internal	(837)	(200)	(33)	1,070	
External	(103,151)	(3,010)	(903)	(500)	(107,564)
Operating expenses	(103,988)	(3,210)	(936)	570	(107,564)
Depreciation and amortisation charges	(10,028)	(3,501)	(31)		(13,560)
Internal	233			(233)	
External	(28,425)	(2,294)	(89)		(30,808)
Net other income (expenses)	(28,425)	(2,294)	(89)	(233)	(30,808)
Profit (loss) before tax	62,641	1,750	(87)	(2,000)	62,304
Income tax	(3,995)	(680)			(4,675)
Change of deferred tax	(8,343)	164	319		(7,860)
Net profit (loss)	50,303	1,234	232	(2,000)	49,769
Total assets	7,510,001	542,836	2,646	(320,097)	7,735,386
Total liabilities	7,045,407	537,056	405	(313,897)	7,268,971
Shareholders' equity	464,594	5,780	2,241	(6,200)	466,415
Capital additions	20,706	10,844	26		31,576

Secondary reporting format – geographical segments

Geographical concentrations of the Group assets were as follows:

	2007	2006
Lithuania	10,313,767	6,860,624
Denmark	63,241	35,108
Norway	33,281	101,600
Latvia	68,019	69,882
Germany	127,386	68,655
Luxemburg	260	1,154
Austria	69,578	119,069
Poland	4,131	13,034
United Kingdom	70,231	136,504
France	106,599	69,582
USA	52,056	7,495
Belgium	64,875	264
Holland	77,342	86,660
Other foreign countries	362,440	86,660
Total	**11,413,206**	**7,735,386**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	2007		2006	
	Group	Bank	Group	Bank
Interest income:				
on loans and advances to banks and customers	464,692	468,564	258,331	268,457
on finance lease receivables	38,853		22,609	
on trading securities	425	425	1,214	1,214
on securities available for sale	25,651	25,616	14,207	14,175
Total interest income	529,911	494,605	296,361	283,846
Interest expense				
on due to banks and customers	161,494	136,584	73,368	67,715
on deposits and other repayable funds	64,796	64,796	34,430	34,430
on debt securities issued	34,694	34,694	22,363	22,363
on subordinated loans	9,806	9,806	5,523	5,523
Total interest expense	270,790	245,880	135,684	130,031
Net interest income	259,121	248,725	160,677	153,815

NOTE 2 NET FEE AND COMMISSION INCOME

	2007		2006	
	Group	Bank	Group	Bank
Fee and commission income:				
on assets under management	3,338	3,338	3,151	3,151
money transfer operations	29,346	29,402	26,215	26,228
payment cards services	14,796	14,796	11,838	11,838
securities operations	3,315	3,413	1,391	1,451
base currency exchange	6,206	6,206	4,874	4,874
trust and other fiduciary activities	3,889	743	2,430	570
other	14,789	14,165	9,915	7,176
Total fee and commission income	75,679	72,063	59,814	55,288
Fee and commission expense:				
money transfer operations	1,687	1,698	1,536	1,536
payment cards services	11,504	11,504	9,132	9,132
securities operations	1,216	1,205	774	774
base currency exchange	207	207	152	152
trust and other fiduciary activities	831	831	747	747
other	1,214	883	479	444
Total fee and commission expense	16,659	16,328	12,820	12,785
Net fee and commission income	59,020	55,735	46,994	42,503

Group other fee and commission income includes LTL 5,518 thousand (2006 – LTL 3,301 thousand) income from operating lease contracts.

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

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

				Restated
		2007		2006
	Group	Bank	Group	Bank
Securities, trading				
Debt securities:				
Realized gain (loss)	(38)	(38)	(396)	(396)
Unrealized gain (loss)	(124)	(124)	54	54
Equity securities:				
Unrealized gain (loss)	1	1		
Net income (loss) from trading securities	(161)	(161)	(342)	(342)
Derivative financial instruments:				
Realized gain (loss)	(27)	(27)	(2,436)	(2,432)
Unrealized gain (loss)	(38)	(38)	298	298
Net income (loss) from derivative financial instruments	(65)	(65)	(2,138)	(2,134)
Securities, available for sale (Note 26):				
Realized gain (loss) on debt securities	(1,329)	(1,329)	(3,690)	(3,690)
Realized gain (loss) on equity securities	17	17		
Realized gain (loss) on funds units	44		28	
Net income (loss) from available for sale securities	(1,268)	(1,312)	(3,662)	(3,690)
Income from operations with index rights (Note 22)	7,413	7,413	1,557	1,557
Realized gain (loss) from operations with debt securities issued (in the secondary market)	1,107	1,107	(8)	(8)
Received dividends	3	1,313	1	2,001
Total	7,029	8,295	(4,592)	(2,616)

NOTE 4 IMPAIRMENT LOSSES AND PROVISIONS

		2007		2006
	Group	Bank	Group	Bank
Impairment losses on loans:				
Increase (decrease) of impairment losses, net (Note 13)	23,726	23,726	16,873	16,873
Recovered previously written off loans	(4,050)	(4,050)	(9,511)	(9,511)
Total impairment losses on loans	19,676	19,676	7,362	7,362
Impairment losses on finance lease receivables (Note 14)	758		17	
Expenses for provisions on:				
other assets	(241)	(550)	2,573	1,206
contingent liabilities	(54)	(54)	39	39
Total provisions on other assets and contingent liabilities	(295)	(604)	2,612	1,245
Total	20,139	19,072	9,991	8,607

NOTE 5 OTHER INCOME

	2007		2006	
	Group	Bank	Group	Bank
On sale of movable or immovable property and other security	2,116	1,590	991	855
On rent of movable or immovable property	932	999	446	679
Other	3,258	3,194	3,232	3,130
Total	6,306	5,783	4,669	4,664

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

	2007		Restated 2006	
	Group	Bank	Group	Bank
Salaries, social insurance and other related expenses	86,685	82,788	61,296	58,806
Rent of premises and maintenance expenses	12,319	11,797	10,305	10,218
Transportation, post and communications expenses	8,597	7,763	6,985	6,566
Advertising and marketing expenses	7,936	7,355	5,794	5,370
Office equipment and maintenance expenses	12,005	11,935	8,146	8,725
Training and business trip expenses	2,555	2,359	1,669	1,626
Cash collection, consultancy and other services expenses	5,033	4,876	3,977	3,854
Amortisation of intangible assets (Note 17)	1,833	1,676	1,519	1,465
Depreciation of property, plant and equipment assets (Note 18)	13,976	9,985	12,041	8,563
Fees for compulsory insurance of deposits	16,894	16,881	12,880	12,867
Taxes other than income tax	10,837	10,629	8,185	7,967
Other expenses	17,964	16,311	13,813	12,238
Total	196,634	184,355	146,610	138,265

The Bank incurred LTL 19,586 thousand of social insurance expenses for the year ended 31 December 2007 (2006: LTL 13,750 thousand). Expenses for social insurance for the Group amounted to LTL 20,485 thousand (2006: LTL 14,337 thousand). The social insurance expenses include pension, health, sickness, maternity and unemployment payments and the exact amount for pensions can not be separated from the total, as these allocations are made by State Social Security Fund.

Bank operating expenses includes LTL 155 thousand (2006 – LTL 840 thousand) expenses from operating lease contracts.

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

NOTE 7 INCOME TAX

	2007		2006	
	Group	Bank	Group	Bank
Current tax for the year	23,598	23,252	4,675	3,995
Change of deferred tax asset (see below)	523	431	7,860	8,343
Total	24,121	23,683	12,535	12,338

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

	2007		2006	
	Group	Bank	Group	Bank
Profit before income tax	131,038	131,567	68,219	68,556
Tax calculated at a tax rate of 18% for 2007 (2006: 19%)	23,587	23,682	12,962	13,026
Income not subject to tax	(2,211)	(1,762)	(1,047)	(942)
Expenses not deductible for tax purposes	3,756	2,561	1,364	998
Recognition /utilisation of previously unrecognised tax losses	(213)		(744)	(744)
Adjustment of previous year income tax	(798)	(798)		
Income tax charge/(credit)	24,121	23,683	12,535	12,338

Movement in deferred tax asset				
At the beginning of the year	389	(271)	8,178	8,000
Charge (credit) to equity (Note 26)	914	914	71	71
Income statement credit (charge)	(523)	(431)	(7,860)	(8,343)
At the end of the year	780	212	389	(271)

In 2007 LTL 1,031 thousand of deferred tax (out of 780 thousand) is related to revaluation of available for sale securities (in 2006 LTL 117 thousand).

15% tax rate was used to calculate deferred income taxes in 2007 (2006: 18% and 15%).

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

Group – deferred tax liabilities			
	VAT on long term assets	Valuation of securities	Total
As at 1 January 2006	404	11	415
Charged/ (credited) to net profit	362	(11)	351
As at 1 January 2007	766		766
Charged/ (credited) to net profit	595	1	596
As at 31 December 2007	1,361	1	1,362

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

NOTE 7 INCOME TAX (continued)

Group – deferred tax assets	Depreciation of long-term assets up	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2006	39	81	7,900	573	8,593
(Charged)/ credited to net profit	56	(21)	(7,581)	37	(7,509)
Charged/ (credited) to equity		71			71
As at 1 January 2007	95	131	319	610	1,155
(Charged)/ credited to net profit	146	17	(213)	123	73
Charged/ (credited) to equity		914			914
As at 31 December 2007	241	1,062	106	733	2,142

Deferred income tax assets are recognized for tax loss carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. (As at 31 December 2007 the Group has no unrecognized tax losses).

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

Year of expiry	Amount
2009	202
2010	477
2011	26
	705

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

Bank – deferred tax liability	VAT on long term assets	Valuation of securities	Total
As at 1 January 2006	404	11	415
Charged/ (credited) to net profit	362	(11)	351
As at 1 January 2007	766		766
Charged/ (credited) to net profit	595	1	596
As at 31 December 2007	1,361	1	1,362

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

NOTE 7 INCOME TAX (continued)

Bank – deferred tax assets	Depreciation of long-term assets up	Valuation of securities	Tax losses	Accrued expenses/ deferred income	Total
As at 1 January 2006	39	81	7,900	395	8,415
Total (charged)/credited to net profit	56	(21)	(7,900)	(126)	(7,991)
Charged/ (credited) to equity		71			71
As at 1 January 2007	95	131		269	495
Total (charged)/credited to net profit	146	17		2	165
Charged/ (credited) to equity		914			914
As at 31 December 2007	241	1,062		271	1,574

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

		2007		2006
	Group	Bank	Group	Bank
Deferred tax assets	2,142	1,574	1,155	495
Deferred tax liabilities	(1,362)	(1,362)	(766)	(766)
	780	212	389	(271)

NOTE 8 EARNINGS PER SHARE

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

Earnings per share		
	2007	2006
	Group	Group
Net profit	106,917	49,769
Weighted average number of issued shares (units)	2,975,632	2,513,602
Previously reported Earnings per share (LTL per share)		22.15
Earnings per share (LTL per share) after restatement	35.93	19.80

The 2007 and 2006 diluted earnings per share ratios are the same as basic earnings per share.

NOTE 9 CASH AND BALANCES WITH CENTRAL BANKS

		2007		2006
	Group	Bank	Group	Bank
Cash and other valuables	213,359	213,356	171,287	171,284
Placements with Central Bank:				
Required reserves in national currency	262,236	262,236	180,745	180,745
Total	475,595	475,592	352,032	352,029

Required reserves held with the bank of Lithuania are calculated monthly on a basis of previous month end liabilities and 6% required reserves rate is applied. All required reserves are held only in LTL. The Bank of Lithuania pays interest for the required reserves.

NOTE 10 LOANS AND ADVANCES TO BANKS

		2007		2006
	Group	Bank	Group	Bank
Due from banks				
Demand deposits	59,474	59,473	154,091	154,091
Term deposits	212,631	212,631	131,093	131,093
Repurchase transactions	50,274	50,274		
Long term loans	4,950	4,950	4,950	4,950
Total	327,329	327,328	290,134	290,134

As at 31 December 2007 88.3% of all Group deposits from banks had variable and 11.7% had fixed interest rate (2006: - 100% variable interest rate).

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

NOTE 11 TRADING SECURITIES

	2007		2006	
	Group	Bank	Group	Bank
Debt securities				
Government bonds and treasury bills of the Republic of Lithuania	608	608	18,842	18,842
Bonds issued by other banks	1,535	1,535	3,521	3,521
Government bonds of non-residents	968	968	995	995
Corporate bonds			792	792
Equity securities				
Corporate	103	103		
Total	3,214	3,214	24,150	24,150

NOTE 12 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Bank enters into transactions involving the following derivative instruments:

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

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

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

NOTE 12 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

	Notional amounts		Fair values	
	Purchase	Sale	Assets	Liabilities
As at 31 December 2006				
FX forwards, swaps, put, call options	282,308	282,397	260	202
Interest rate swaps	984,048	984,048	3,533	2,239
Equity linked options	211,165	237,079	28,659	
Commodity linked options	16,704	16,704	38	38
Total	1,494,225	1,520,228	32,490	2,479
As at 31 December 2007				
FX forwards, swaps, put, call options	1,865,877	1,866,498	2,925	3,775
Interest rate swaps	1,538,913	1,538,913	6,806	7,961
Equity linked options	822,407	802,251	84,345	
Commodity linked options	49,412	44,611	4,745	
Total	4,276,609	4,252,273	98,821	11,736

NOTE 13 LOANS AND ADVANCES TO CUSTOMERS

				Restated
	2007		2006	
	Group	Bank	Group	Bank
Loans and advances to financial institutions	130,557	189,377	38,291	348,634
Loans to business customers:				
- Central and local authorities, other administrative bodies	139,681	139,681	68,546	68,546
- Large corporates	2,075,206	2,075,206	1,442,269	1,442,269
- SMEs	2,045,653	2,045,776	1,586,343	1,586,343
- Farmers	274,591	274,591	232,226	232,226
- Other	8,008	8,008	1,212	1,212
Total loans to business customers	4,543,139	4,543,262	3,330,596	3,330,596
Loans to individuals (retail):				
- Consumer loans	564,805	564,805	438,265	438,265
- Mortgages	3,079,307	3,079,307	1,990,202	1,990,202
- Loans secured by equity linked bonds issued by Bank	512,628	512,628	78,591	78,591
- Other (credit cards, reverse repurchase agreements, other loans backed by securities, other)	34,519	34,519	15,787	15,787
Total loans to individuals (retail)	4,191,259	4,191,259	2,522,845	2,522,845
Total gross loans granted	8,864,955	8,923,898	5,891,732	6,202,075
Total impairment losses:	(54,738)	(54,738)	(35,297)	(35,297)
to financial institutions				
to business customers	(46,330)	(46,330)	(30,672)	(30,672)
to individuals	(8,408)	(8,408)	(4,625)	(4,625)
Total (net loans and advances to customers)	8,810,217	8,869,160	5,856,435	6,166,778

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

NOTE 13 LOANS AND ADVANCES TO CUSTOMERS (continued)

Allowance for impairment

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

31 December 2007

				Group and Bank loans to individuals (retail)
	Consumer loans	Mortgages	Other	Total
Balance as at 1 January 2007	**3,385**	**1,100**	**140**	**4,625**
Change in allowance for loan impairment	4,506	2,530	301	7,337
Loans written off during the year as uncol-lectible	(3,360)	(194)		(3,554)
As at 31 December 2007	**4,531**	**3,436**	**441**	**8,408**

						Group and Bank loans to individuals (retail)
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Balance as at 1 January 2007		**13,892**	**16,713**	**42**	**25**	**30,672**
Change in allowance for loan impairment		(59)	14,893	1,517	37	16,388
Loans written off during the year as uncol-lectible			(572)	(158)		(730)
As at 31 December 2007		**13,833**	**31,034**	**1,401**	**62**	**46,330**

31 December 2006

				Group and Bank loans to individuals (retail)
	Consumer loans	Mortgages	Other	Total
Balance as at 1 January 2007	**2,438**	**853**	**106**	**3,397**
Change in allowance for loan impairment	4,530	586	245	5,361
Loans written off during the year as uncol-lectible	(3,583)	(339)	(211)	(4,133)
As at 31 December 2006	**3,385**	**1,100**	**140**	**4,625**

						Group and Bank loans to individuals (retail)
	Central and local authorities, other administrative bodies	Large corporates	SMEs	Farmers	Other	Total
Balance as at 1 January 2006		**13,361**	**9,102**	**35**	**15**	**22,513**
Change in allowance for loan impairment		568	10,653	194	10	11,425
Loans written off during the year as uncol-lectible		(37)	(3,042)	(187)		(3,266)
As at 31 December 2006		**13,892**	**16,713**	**42**	**25**	**30,672**

Net change in allowance for loan impairment accounts for LTL 23,725 thousands in the year ending 31 December, 2007 (2006: LTL 16,786 thousands). Changes in foreign exchange rates have reduced this figure by LTL 1 thousand (2006: reduced by LTL 87 thousands).

There were no allowance for impairment against loans and advances to banks and financial institutions neither at Bank nor at the Group level as of end of 2005, 2006 and 2007. Respectively, there were no changes in allowance for loan impairment and write-offs for such loans and allowances in 2006 and 2007.

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

NOTE 14 FINANCE LEASE RECEIVABLES

	Up to one year	From 1 to 5 years	Over 5 years	Total
Gross investments in leasing:				
Balance at 31 December 2006	160,879	326,145	57,418	544,442
Change during 2007	126,682	192,744	4,561	323,987
Balance at 31 December 2007:	287,561	518,889	61,979	868,429
Unearned finance income on finance leases:				
Balance at 31 December 2006	21,236	36,328	5,499	63,063
Change during 2007	19,594	25,418	4,052	49,064
Balance at 31 December 2007:	40,830	61,746	9,551	112,127
Net investments in finance leases before impairment:				
31 December 2006	139,643	289,817	51,919	481,379
31 December 2007	246,731	457,143	52,428	756,302
Changes in impairment:				
Balance as at 31 December 2005	352	701	136	1,189
Increase (decrease) in impairment (Note 4)	(26)	40	3	17
Balance as at 31 December 2006:	326	741	139	1,206
Increase (decrease) in impairment (Note 4)	(87)	646	199	758
Balance as at 31 December 2007:	239	1,387	338	1,964
Net investments in finance leases after impairment:				
31 December 2006	139,317	289,076	51,780	480,173
31 December 2007	246,492	455,756	52,090	754,338

NOTE 15 SECURITIES AVAILABLE FOR SALE

	2007		2006	
	Group	Bank	Group	Bank
Securities available-for-sale				
Debt securities:				
Government bonds of the Republic of Lithuania	891		928	
Treasury bills			20,474	20,474
Bonds of the banks	725,552	725,552	471,207	471,207
Government bonds of non-residents			38,370	38,370
Equity securities:				
Unlisted	311	311	342	342
Units of funds	319		4,955	
Total securities available-for-sale	727,073	725,863	536,276	530,393

Total amount of available for sale securities are unimpaired assets.

The movement of available for sale securities were as follows:

	Group	Bank
As at 1 January 2007	536,276	530,393
Additions	306,564	300,513
Disposal (sale and redemption)	(111,023)	(100,352)
Disposal (sale and redemption)	(6,513)	(6,467)
Gains/losses from changes from foreign currency translation	(30)	(30)
Changes in accrued income	1,799	1,806
As at 31 December 2007	727,073	725,863
As at 1 January 2006	258,630	257,623
Additions	676,157	645,963
Disposal (sale and redemption)	(394,358)	(369,047)
Gains/losses from changes in fair value (Note 26)	(183)	(168)
Gains/losses from changes from foreign currency translation	(33)	(33)
Changes in accrued income	(3,937)	(3,945)
As at 31 December 2006	536,276	530,393

NOTE 16 INVESTMENTS IN SUBSIDIARIES

				2007	2006
	Share	Nominal value	Cost	Carrying value	Carrying value
Investments in consolidated subsidiaries:					
DnB NORD Lizingas UAB	100%	2,000	2,200	2,200	2,200
DnB NORD Investicijų Valdymas UAB	100%	2,000	4,000	4,000	4,000
DnB NORD Būstas UAB	100%	1,000	1,000	1,000	
Total				7,200	6,200

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

NOTE 17 INTANGIBLE ASSETS

	Group	Bank
31 December 2005		
Cost	11,631	11,235
Accumulated amortisation	(7,716)	(7,457)
Net book value	3,915	3,778
Year ended 31 December 2006		
Net book value at 1 January	3,915	3,778
Acquisitions	4,705	4,498
Reclassification	(5)	(5)
Amortisation charge	(1,519)	(1,465)
Net book value at 31 December	7,096	6,806
31 December 2006		
Cost	16,320	15,722
Accumulated amortisation	(9,224)	(8,916)
Net book value	7,096	6,806
Year ended 31 December 2007		
Net book value at 1 January	7,096	6,806
Acquisitions	3,669	3,072
Amortisation charge	(1,833)	(1,676)
Net book value at 31 December	8,932	8,202
31 December 2007		
Cost	19,514	18,398
Accumulated amortisation	(10,582)	(10,196)
Net book value	8,932	8,202
Economic life (in years)	3-5	5

Intangible assets include purchased computer software and software licences.

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

NOTE 18 NOTE PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and premises	Vehicles	Equipment	Construction in progress	Total
31 December 2005					
Cost	84,039	10,552	55,299	15	149,905
Accumulated depreciation	(14,494)	(2,429)	(34,873)		(51,796)
Net book value	69,545	8,123	20,426	15	98,109
Year ended 31 December 2006					
Net book value at 1 January	69,545	8,123	20,426	15	98,109
Acquisitions	590	7,656	13,121	5,504	26,871
Reclassification	115			(115)	
Impairment losses	(24)				(24)
Disposals and write-offs	(1,829)	(1,338)	(1,188)		(4,355)
Depreciation charge	(1,884)	(2,136)	(8,021)		(12,041)
Net book value at 31 December	66,513	12,305	24,338	5,404	108,560
31 December 2006					
Cost	81,784	15,781	55,816	5,404	158,785
Accumulated depreciation	(15,271)	(3,476)	(31,478)		(50,225)
Net book value	66,513	12,305	24,338	5,404	108,560
Year ended 31 December 2007					
Net book value at 1 January	66,513	12,305	24,338	5,404	108,560
Acquisitions		13,940	15,166	8,513	37,619
Transfers from construction in progress	9,595			(9,595)	
Disposals and write-offs	(1,695)	(3,928)	(706)		(6,329)
Depreciation charge	(2,051)	(3,197)	(8,728)		(13,976)
Net book value at 31 December	72,362	19,120	30,070	4,322	125,874
31 December 2007					
Cost	88,782	24,725	63,141	4,322	180,970
Accumulated depreciation	(16,420)	(5,605)	(33,071)		(55,096)
Net book value	72,362	19,120	30,070	4,322	125,874
Economic life (in years)	50	6-10	3-10		

NOTE 18 PROPERTY, PLANT AND EQUIPMENT (continued)

From the total Group assets amount stated above the assets under operating lease agreements as at 31 December 2007 amounted to 20,037 LTL thousand (in 2006 LTL 13,841 thousand) and are as follows:

	Vehicles	Equipment	Total
31 December 2005			
Cost	10,158	2,514	12,672
Accumulated depreciation	(2,301)	(1,420)	(3,721)
Net book value	7,857	1,094	8,951
Year ended 31 December 2006			
Net book value at 1 January	7,857	1,094	8,951
Acquisitions	7,656	2,161	9,817
Disposals and write-offs	(1,227)	(324)	(1,551)
Depreciation charge	(2,078)	(1,298)	(3,376)
Net book value at 31 December	12,208	1,633	13,841
31 December 2006			
Cost	15,573	4,262	19,835
Accumulated depreciation	(3,365)	(2,629)	(5,994)
Net book value	12,208	1,633	13,841
Year ended 31 December 2007			
Net book value at 1 January	12,208	1,633	13,841
Acquisitions	13,940	365	14,305
Disposals and write-offs	(3,868)	(347)	(4,215)
Depreciation charge	(3,172)	(722)	(3,894)
Net book value at 31 December	19,108	929	20,037
31 December 2007			
Cost	24,625	1,876	26,501
Accumulated depreciation	(5,517)	(947)	(6,464)
Net book value	19,108	929	20,037
Economic life (in years)	6	3	

NOTE 18 PROPERTY, PLANT AND EQUIPMENT (continued)

Bank	Buildings and premises	Vehicles	Equipment	Construction in progress	Total
31 December 2005					
Cost	83,714	100	52,437	15	136,266
Accumulated depreciation	(14,494)	(49)	(33,227)		(47,770)
Net book value	69,220	51	20,426	15	98,109
Year ended 31 December 2006					
Net book value at 1 January	69,545	51	19,210	15	88,496
Acquisitions			10,704	5,504	16,208
Reclassification	115			(115)	
Impairment losses	(24)				(24)
Disposals and write-offs	(1,629)		(836)		(2,465)
Depreciation charge	(1,884)	(20)	(6,659)		(8,563)
Net book value at 31 December	65,798	31	22,419	5,404	93,652
31 December 2006					
Cost	81,069	100	51,034	5,404	137,607
Accumulated depreciation	(15,271)	(69)	(28,615)		(43,955)
Net book value	65,798	31	22,419	5,404	93,652
Year ended 31 December 2007					
Net book value at 1 January	65,798	31	22,419	5,404	93,652
Acquisitions			14,269	8,513	22,782
Transfers from construction in progress	9,595			(9,595)	
Disposals and write-offs	(980)		(283)		(1,263)
Depreciation charge	(2,051)	(20)	(7,914)		(9,985)
Net book value at 31 December	72,362	11	28,491	4,322	105,186
31 December 2007					
Cost	88,782	100	60,233	4,322	153,437
Accumulated depreciation	(16,420)	(89)	(31,742)		(48,251)
Net book value	72,362	11	28,491	4,322	105,186
Economic life (in years)	50	6-10	3-10		

No assets were pledged to a third party as at 31 December 2007 and 31 December 2006.

The Bank (Group) had ownership title to all of the intangible assets, property and equipment at 31 December 2007 and 31 December 2006.

NOTE 19 OTHER ASSETS

	2007		2006	
	Group	Bank	Group	Bank
Accrued income	2,000	675	1,384	901
Deferred expenses	8,062	7,403	3,977	3,341
Receivables from foreclosed assets sold on instalment basis	53	53	308	308
Repossessed assets	201	201	624	624
Other assets, net				
Prepayments for property and equipment	31,970	47	26,305	95
Assets bought for leasing activities	29,339		8,685	
Other assets	9,408	2,312	6,097	2,100
Total other assets, net	70,717	2,359	41,087	2,195
Total	81,033	10,691	47,380	7,369

NOTE 20 DUE TO BANKS

	2007		2006	
	Group	Bank	Group	Bank
Funds of banks				
Demand deposits	86,994	86,994	452,252	452,252
Term deposits	4,072,535	4,072,535	2,300,506	2,300,506
Loans	783,973	13,157	577,615	368,299
Total due to banks	4,943,502	4,172,686	3,330,373	3,121,057

NOTE 21 DUE TO CUSTOMERS

	2007		2006	
	Group	Bank	Group	Bank
Demand deposits:				
National government institutions	582,161	582,161	190,811	190,811
Local government institutions	92,394	92,394	107,852	107,852
Governmental and municipality companies	51,309	51,309	50,162	50,162
Private entities	1,029,452	1,029,461	888,200	888,200
Financial institutions (non-banks)	15,572	16,448	16,604	19,831
Non-profit organisations	44,083	44,083	34,367	34,367
Individuals	890,020	890,020	722,729	722,729
Total demand deposits	2,704,991	2,705,876	2,010,725	2,013,952
Term deposits:				
National government institutions	209	209	7,677	7,677
Local government institutions	923	923	1,961	1,961
Governmental and municipality companies	77,861	77,861	28,827	28,827
Private entities	319,028	319,028	133,884	133,884
Financial institutions (non-banks)	65,415	78,970	49,803	49,803
Non-profit organisations	10,354	10,354	5,957	5,957
Individuals	1,032,872	1,032,872	856,537	856,537
Total term deposits	1,506,662	1,520,217	1,084,646	1,084,646
Total deposits	4,211,653	4,226,093	3,095,371	3,098,598

As at 31 December 2007 demand deposits of national government institutions included LTL 512,222 thousand (2006: LTL 135,319 thousand) of deposits of compulsory social and health insurance funds. As at 31 December 2007 included in customer accounts were deposits of LTL 4,121 thousand (2006: LTL 4,448 thousand) held as collateral for irrevocable commitments under import letter of credit, guarantees.

NOTE 22 DEBT SECURITIES IN ISSUE

				Restated
		2007		2006
	Group	Bank	Group	Bank
Mortgage bonds denominated in LTL with floating interest rate 6 month VILIBOR+0.23 p.a., maturity 2007			44,465	44,465
Bonds denominated in EUR with floating interest rate 6 month EURIBOR+0.35 p.a., maturity 2007			175,690	175,690
Bonds denominated in LTL with fixed interest rate 3.25 p.a., maturity 2008	38,994	38,994	41,689	41,689
Bonds denominated in LTL with fixed interest rate 4.33 p.a., maturity 2009.	19,815	19,815	25,198	25,198
Bonds denominated in LTL with fixed interest rate 3.40 p.a., maturity 2007.			1,508	1,508
Bonds denominated in LTL with fixed interest rate 4.3 p.a., maturity 2008.	39,905	39,905		
Bonds denominated in LTL with fixed interest rate 4.6 p.a., maturity 2008.	30,063	30,063		
Bonds denominated in LTL with fixed interest rate 5.05 p.a., maturity 2008.	34,232	34,232		
Bonds denominated in LTL zero coupon, maturity 2008	93,744	93,744		
Equity linked Bonds denominated in EUR, zero coupon, maturity 2008-2011	406,310	406,310	214,699	214,699
Equity linked Bonds denominated in LVL, zero coupon, maturity 2009	14,553	14,553	11,161	11,161
Equity linked Bonds denominated in LTL, zero coupon, maturity 2009 , 2010	405,186	405,186	22,131	22,131
Commodity linked bonds (LTL), zero coupon, maturity 2010.	10,220	10,220		
Commodity linked bonds (USD), zero coupon, maturity 2010.	4,250	4,250		
Commodity linked bonds (EUR), zero coupon, maturity 2009.	18,852	18,852	17,060	17,060
Total debt securities in issue	1,116,124	1,116,124	553,601	553,601

As at 31 December 2007 deferred day 1 profit from index linked bonds amounted LTL 21,631 thousand (2006: LTL 6,263 thousand). The movements of deferred day one profit from index linked bonds were as follows:

	Group	Bank
As at 1 January 2007	6,263	6,263
Additions arising from new transactions	22,781	22,781
Released to profit and loss during the year (Note 3)	(7,413)	(7,413)
As at 31 December 2007	21,631	21,631
As at 1 January 2006	348	348
Additions arising from new transactions	7,472	7,472
Released to profit and loss during the year (Note 3)	(1,557)	(1,557)
As at 31 December 2006	6,263	6,263

NOTE 23 OTHER LIABILITIES

	2007		2006	
	Group	Bank	Group	Bank
Accrued expenses	38,467	37,738	20,594	18,309
Other financial liabilities:				
Deferred income	3,562	599	4,618	2,564
Transit accounts	10,019	10,019	11,295	11,295
Liabilities for transactions with payment cards	631	631	16,403	16,403
Liabilities to suppliers	9,295		3,662	
Liabilities under customer's transactions with securities	22,144	22,144	2,177	2,177
Prepayment for finance lease	10,005		8,557	
Total other financial liabilities	55,656	33,393	46,712	32,439
Other liabilities	6,240	4,682	6,115	5,672
Total	100,363	75,813	73,421	56,420

NOTE 24 SUBORDINATED LOANS

	2007		2006	
	Group	Bank	Group	Bank
Loan provider:				
Norddeutsche Landesbank Girozentrale	116,935	116,935	52,698	52,698
European Bank for Reconstruction and Development (EBRD)	38,804	38,804	38,639	38,639
Stiftung der NORD/LB und der Oeffentlichen Versicherung fuer Braunschweig	8,766	8,766	8,768	8,768
Bank DnB NORD A/S	99,065	99,065	98,949	98,949
Total	263,570	263,570	199,054	199,054

All subordinated loans are denominated in Euro (EUR). The Group has not had any defaults of principal, interest or redemption amounts during the period on its borrowed funds (2006: nil). The lenders' claims arising from all the subordinated agreements shall be satisfied only after satisfaction of all claims of non-subordinated creditors. The claims of the subordinated creditors shall rank *pari passu* with the claims of other subordinated creditors.

In December 2007, the Bank received subordinated loan from Norddeutsche Landesbank Girozentrale (EUR 18,500 thousand / LTL 63,877 thousand). This loan is repayable in full in 2017. The interest rate on this loan is equal to 6-month EURIBOR + 0.9 p.a.

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

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

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

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

NOTE 25 SHARE CAPITAL

As at 31 December 2007 the share capital of the Bank is divided into 3,162,537 (as at 31 December 2006: – 2,710,746) ordinary registered shares with a par value of LTL 115 each. On 1 of June 2007, the Bank has registered the amendments to the Bank's Bylaws with the Register of Legal Entities regarding the increase of the Bank's authorised share capital by LTL 51,956 thousand by issuing 451,791 ordinary registered shares with a par value of LTL 115 each. The new shares have been allotted at LTL 365 each. All shares were subscribed and fully paid for. Share premium amounted to LTL 205,747 thousand as at 31 December 2007 (as at 31 December 2006: – LTL 92,800 thousand). In 2007 and 2006 there were no incremental costs directly attributable to the issue of new shares.

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

			2007			2006
	Number of shares	Nominal value, LTL thousand	%	Number of shares	Nominal value, LTL thousand	%
BANK DNB NORD A/S DN	2,946,061	338,797	93.15	2,524,537	290,322	93.13
SKANDINAVSKA ENSKILDA BANKEN CLIENTS	181,705	20,896	5.75	173,785	19,985	6.41
Other	34,771	3,999	1.1	12,424	1,429	0.46
Total	3,162,537	363,692	100.00	2,710,746	311,736	100.00

NOTE 26 OTHER RESERVES

		2007		2006
	Group	Bank	Group	Bank
Mandatory reserve	7,044	6,849	3,875	3,749
Property, plant and equipment revaluation reserve	863	863	907	907
Financial assets revaluation reserve	(5,876)	(5,840)	(277)	(287)
Total	2,031	1,872	4,505	4,369

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

	Group	Bank
As at 1 January 2007	(277)	(287)
Net gains/losses from changes in fair value	(5,245)	(5,155)
Net gains/losses transferred to net profit on disposal (Note3)	(1,268)	(1,312)
Changes of deferred income taxes (Note 7)	914	914
As at 31 December 2007	(5,876)	(5,840)
As at 1 January 2006	(166)	(191)
Net gains/losses from changes in fair value	3,479	3,522
Net gains/losses transferred to net profit on disposal (Note3)	(3,662)	(3,690)
Changes of deferred income taxes (Note 7)	71	71
Other adjustments	1	1
As at 31 December 2006	(277)	(287)

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

The balance of property, plant and equipment revaluation reserve related to the assets, which have been disposed of or fully depreciated, amounted to LTL 21 thousand at 31 December 2007 (2006: LTL 44 thousand). Management of the Bank plans to propose to the shareholders' meeting to approve the transfer of this amount to retained earnings.

NOTE 27 ASSETS / FUNDS UNDER MANAGEMENT

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

Assets under management totalling to LTL 57,746 thousand as at 31 December 2007 (2006: LTL 66,052 thousand) consist of loans granted to legal entities and individuals, including farmers and house building associations and other companies. These loans were granted from the Lithuanian Agricultural Support Fund, the Farmers' Support Fund, the Agricultural Support Fund (proceeds from sale of grain received from the USA) and the Common Mortgage Support Fund.

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

NOTE 28 CONTINGENT LIABILITIES AND COMMITMENTS

Legal claims. As at 31 December 2007, contingent liabilities that may arise as a result of pending court proceedings in which the Group (Bank) would appear as a respondent amounted to LTL 905 thousand (2006: LTL 710 thousand). The Bank established a provision of LTL 110 thousand (2006: LTL 116 thousand) against potential losses in relation to the outcome of legal claims.

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

	2007		2006	
	Group	Bank	Group	Bank
Guarantees	165,503	666,272	99,071	99,071
Letters of credit	15,518	15,518	6,430	6,430
Commitments to grant loans	1,753,654	1,785,241	1,259,792	1,264,946
Commitments to grant finance leases	116,213		58,979	
Capital commitments and other commitments to acquire assets	13,281	3,505	7,898	
Other commitments	8,566	8,668	8,204	8,407
Total	2,072,735	2,479,204	1,440,374	1,378,854

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

Operating lease commitments – where the Group is the lessee

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

	2007		2006	
	Group	Bank	Group	Bank
Not later than 1 year	1,019	1,044	1,019	1,142
Later than 1 year and not later than 5 years	4,077	4,154	4,077	4,157
Later than 5 years	849	849	1,868	1,868
Total	5,945	6,047	6,964	7,167

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

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

	2007		2006	
	Group	Bank	Group	Bank
Not later than 1 year	5,882		5,715	
Later than 1 year and not later than 5 years	6,684		3,632	
Total	12,566		9,347	

NOTE 29 CASH AND CASH EQUIVALENTS

		2007		2006
	Group	Bank	Group	Bank
Cash	213,359	213,356	171,287	171,284
Correspondent accounts with other banks	33,347	33,347	10,273	10,273
Overnight deposits	26,121	26,121	143,766	143,766
Mandatory reserves with the central bank LTL	262,145	262,145	180,689	180,689
Total	534,972	534,969	506,015	506,012

NOTE 30 LIQUIDITY RISK

According to the regulations approved by the Bank of Lithuania, the liquidity ratio should not be less than 30%. In 2006 and 2007 the Bank and Group complied with the liquidity ratio set by the Bank of Lithuania. The structure of the Bank's assets and liabilities by the remaining maturity as at 31 December 2007 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and balances with central banks	475,592								475,592
Loans and advances to banks	33,347	232,854	15,866			45,261			327,328
Trading securities			161	70	487	1,465	928	103	3,214
Derivative financial instruments		1,431	5,831	780	1,515	87,267	1,997		98,821
Loans and advances to customers		187,619	422,492	519,355	847,975	2,802,979	3,964,168	124,572	8,869,160
Securities available for sale		2,417	2,346	17,157	16,703	294,065	392,864	311	725,863
Investments in subsidiaries								7,200	7,200
Intangible assets								8,202	8,202
Property, plant and equipment								105,186	105,186
Deferred tax assets								212	212
Other assets	101	1,324	6	222	6	14	21	8,997	10,691
Total assets	509,040	425,645	446,702	537,584	866,686	3,231,051	4,359,978	254,783	10,631,469
Liabilities and shareholders' equity									
Due to banks	5,002	248,558	728,858	501,581	837,123	1,281,852	569,712		4,172,686
Derivative financial instruments		749	5,506	3,930	109	468	974		11,736
Due to customers	2,707,598	580,658	349,860	259,905	266,515	55,531	6,026		4,226,093
Debt securities in issue		60,783	113,100	31,302	79,905	822,101	8,933		1,116,124
Special and lending funds	10,238	49					5,537		15,824
Other liabilities	9,948	52,226	1,518	2,086	3,896	25		6,114	75,813
Current income tax liabilities					17,795				17,795
Subordinated loans		1,155	957	660	112		260,686		263,570
Shareholders' equity								731,828	731,828
Total liabilities and shareholders' equity	2,732,786	944,178	1,199,799	799,464	1,205,455	2,159,977	851,868	737,942	10,631,469
Net liquidity gap	(2,223,746)	(518,533)	(753,097)	(261,880)	(338,769)	1,071,074	3,508,110	(483,159)	

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

NOTE 30 LIQUIDITY RISK (continued)

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	362,325	418,254	194,405	397,435	702,269	2,288,076	2,990,028	157,209	7,510,001
Total liabilities and shareholders' equity	2,475,353	600,669	573,333	308,947	815,085	2,042,192	222,608	471,814	7,510,001
Net liquidity gap	(2,113,028)	(182,415)	(378,928)	88,488	(112,816)	245,884	2,767,420	(314,605)	

The Bank's liquidity ratio is the ratio of liquid assets to its current liabilities. Bank's liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

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

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2006	1,251,133	3,575,270	34.99
31 December 2007	1,560,179	4,248,391	36.72

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

NOTE 30 LIQUIDITY RISK (continued)

The structure of the Group's assets and liabilities by the remaining maturity as at 31 December 2007 is as follows:

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Assets									
Cash and balances with central banks	475,592								475,592
Loans and advances to banks	33,348	232,854	15,866			45,261			327,329
Trading securities			161	70	487	1,465	928	103	3,214
Derivative financial instruments		1,431	5,831	780	1,515	87,267	1,997		98,821
Loans and advances to customers		187,368	414,767	519,232	847,975	2,795,383	3,920,920	124,572	8,810,217
Finance lease receivables		29,198	39,350	52,634	124,612	290,248	218,195	101	754,338
Securities available for sale		2,431	2,358	17,162	16,851	294,352	393,289	630	727,073
Intangible assets								8,202	8,202
Property, plant and equipment								125,874	125,874
Deferred tax assets								780	780
Other assets	101	62,615	1,357	912	49	14	21	15,964	81,033
Total assets	509,040	515,897	479,690	590,790	991,489	3,513,990	4,535,350	276,956	11,413,206
Liabilities and shareholders' equity									
Due to banks	5,002	256,082	973,505	502,305	940,707	1,696,189	569,712		4,943,502
Derivative financial instruments		749	5,506	3,930	109	468	974		11,736
Due to customers	2,706,713	567,103	349,860	259,905	266,515	55,531	6,026		4,211,653
Debt securities in issue		60,783	113,100	31,302	79,905	822,101	8,933		1,116,124
Special and lending funds	10,238	49					5,537		15,824
Other liabilities	9,948	72,265	1,806	2,427	4,539	1,841	784	6,753	100,363
Current income tax liabilities					17,798				17,798
Subordinated loans		1,155	957	660	112		260,686		263,570
Shareholders' equity								732,636	732,636
Total liabilities and shareholders' equity	2,731,901	958,186	1,444,734	800,529	1,309,685	2,576,130	852,652	739,389	11,413,206
Net liquidity gap	(2,222,857)	(442,289)	(965,044)	(209,739)	(318,196)	937,860	3,682,698	(462,433)	

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

NOTE 30 LIQUIDITY RISK (continued)

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

	On demand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Maturity undefined	Total
Total assets	362,328	434,404	218,379	432,155	765,013	2,167,743	3,142,950	212,414	7,735,386
Total liabilities and shareholders' equity	2,472,126	613,287	575,856	311,118	815,918	2,250,565	222,847	473,669	7,735,386
Net liquidity gap	(2,109,798)	(178,883)	(357,477)	121,037	(50,905)	(82,822)	2,920,103	(261,255)	

The Group's liquidity ratio is the ratio of liquid assets to its current liabilities. Group's liquid assets and current liabilities are assets and liabilities items receivable (payable) on demand and within one month.

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

	Liquid assets	Current liabilities	Liquidity ratio (per cent)
31 December 2006	1,268,435	3,651,335	34.74
31 December 2007	1,560,106	4,387,402	36.24

NOTE 31 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS

The Group's open positions of prevailing currencies as at 31 December 2007 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	10,356	20,419	8,485	305	23,142	62,707	412,888	475,595
Loans and advances to banks	3,483	200,660	772	1,078	25,373	231,366	95,963	327,329
Trading securities		2,531				2,531	683	3,214
Derivative financial instruments	1,111	95,258				96,369	2,452	98,821
Loans and advances to customers	92,993	4,704,067				4,797,060	4,013,157	8,810,217
Finance lease receivables	429	741,165				741,594	12,744	754,338
Securities available for sale	262	716,565			9,182	726,009	1,064	727,073
Intangible assets							8,932	8,932
Property, plant and equipment							125,874	125,874
Deferred tax assets							780	780
Other assets	20,949	9,206	24	55	683	30,917	50,116	81,033
Total assets	129,583	6,489,871	9,281	1,438	58,380	6,688,553	4,724,653	11,413,206
Liabilities and shareholders' equity								
Due to banks	25,020	4,828,608	26			4,853,654	89,848	4,943,502
Derivative financial instruments		7,961				7,961	3,775	11,736
Due to customers	134,851	540,390	7,628	1,156	13,067	697,092	3,514,561	4,211,653
Debt securities in issue	4,168	465,143			11,830	481,141	634,983	1,116,124
Special and lending funds		7,355			10	7,365	8,459	15,824
Other liabilities	1,014	9,227	484		18,464	29,189	71,174	100,363
Current income tax liabilities							17,798	17,798
Subordinated loans		263,570				263,570		263,570
Shareholders' equity		(6,871)				(6,871)	739,507	732,636
Total liabilities and shareholders' equity	165,053	6,115,383	8,138	1,156	43,371	6,333,101	5,080,105	11,413,206
Net balance sheet position	(35,470)	374,488	1,143	282	15,009	355,452	(355,452)	
Off-balance sheet position	39,023	(333,879)	(942)		(4,531)	(300,329)	296,346	(3,983)
Net liquidity gap	3,553	40,609	201	282	10,478	55,123	(59,106)	(3,983)

NOTE 31 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

The Bank's open positions of prevailing currencies as at 31 December 2007 were as follows:

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets								
Cash and balances with central banks	10,356	20,419	8,485	305	23,142	62,707	412,888	475,595
Loans and advances to banks	3,483	200,660	772	1,077	25,373	231,365	95,963	327,328
Trading securities		2,531				2,531	683	3,214
Derivative financial instruments	1,111	95,258				96,369	2,452	98,821
Loans and advances to customers	110,601	4 737 304				4,847,905	4,021,255	8,869,160
Securities available for sale	262	716,419			9,182	725,863		725,863
Investments in subsidiaries							7,200	7,200
Intangible assets							8,202	8,202
Property, plant and equipment							105,186	105,186
Deferred tax assets							212	212
Other assets	43	523	24	1	683	1,274	9,417	10,691
Total assets	125,856	5,773,114	9,281		58,380	5,968,014	4,663,455	10,631,469
Liabilities and shareholders' equity								
Due to banks	25,020	4,057,792		26		4,082,838	89,848	4,172,686
Derivative financial instruments		7,961				7,961	3,775	11,736
Due to customers	134,851	553,595		7,628	13,067	710,295	3,515,798	4,226,093
Debt securities in issue	4,168	465,143			11,830	481,141	634,983	1,116,124
Special and lending funds		7,355			10	7,365	8,459	15,824
Other liabilities	1,015	8,705		484	18,464	28,668	47,145	75,813
Current income tax liabilities							17,795	17,795
Subordinated loans		263,570		8,138		263,570		263,570
Shareholders' equity		(6,871)				(6,871)	738,699	731,828
Total liabilities and shareholders' equity	165,054	5,357,250		8,138	43,371	5,574,967	5,056,502	10,631,469
Net balance sheet position	(39,198)	415,864		1,143	15,009	393,047	(393,047)	
Off-balance sheet position	39,023	(333,879)		(942)	(4,531)	(300,329)	296,346	(3,983)
Net liquidity gap	(175)	81,985		201	10,478	92,718	(96,701)	(3,983)

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

	USD	EUR	GBP	RUB	Other currencies	Total currencies	LTL	Total
Assets	123,884	3,696,615	9,548	588	21,107	3,851,742	3,658,259	7,510,001
Liabilities and shareholders' equity	144,679	3,993,560	4,570	697	17,880	4,161,386	3,348,615	7,510,001
Net balance sheet position	(20,795)	(296,945)	4,978	(109)	3,227	(309,644)	309,644	
Off-balance sheet position	21,239	178,451	(4,427)		7,012	202,275	(203,680)	(1,405)
Net position	444	(118,494)	51	(109)	10,239	(107,369)	105,964	(1,405)

According to the regulations approved by the Bank of Lithuania, the overall open position (except EUR) of the bank's calculated capital (see part 7 "Capital management" of the Financial risk management) should not exceed 25% and the open position of each individual foreign currency (except EUR) should not exceed 15% of the bank's calculated capital.

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

NOTE 31 FOREIGN EXCHANGE TRANSACTIONS AND OPEN POSITIONS (continued)

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

NOTE 32 INTEREST RATE RISK

The table below summarises the Bank's interest rate risks as at 31 December 2007. Assets and liabilities are shown at their carrying amounts categorised by the earlier of contractual reprising or maturity dates.

	Less than 1 mon	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	475,592							475,592
Loans and advances to banks	271,151	15,866			40,311			327,328
Trading securities		161	70	487	1,465	928	103	3,214
Derivative financial instruments	1,431	5,831	780	1, 515	87,267	1,997		98,821
Loans and advances to customers	409,984	1,993,643	4,335,210	386,481	985,543	624,900	133,399	8,869,160
Securities available for sale	238,434	487,118					311	725,863
Investments in subsidiaries							7,200	7,200
Intangible assets							8,202	8,202
Property, plant and equipment							105,186	105,186
Deferred tax assets							212	212
Other assets	1,425	6	222	6	14	21	8,997	10,691
Total assets	1,398,017	2,502,625	4,336,282	388,489	1,114,600	627,846	263,610	10,631,469
Liabilities and shareholders' equity								
Due to banks	253,561	737,489	2,607,789	4,135		569,712		4,172,686
Derivative financial instruments	749	5,506	3,930	109	468	974		11,736
Due to customers	3,146,933	491,183	259,905	266,515	55,531	6,026		4,226,093
Debt securities in issue	60,783	113,100	31,302	79,905	822,101	8,933		1,116,124
Special and lending funds	15,824							15,824
Other liabilities	62,174	1,518	2,086	3,896	25		6,114	75,813
Current income tax liabilities				17,795				17,795
Subordinated loans	52,947	38,938	163,053			8,632		263,570
Shareholders' equity							731,828	731,828
Total liabilities and shareholders' equity	3,592,971	1,387,734	3,068,065	372,355	878,125	594,277	737,942	10,631,469
Interest rate sensitivity gap	(2,194,954)	1,114,891	1,268,217	16,134	236,475	33,569	(474,332)	

The Bank's interest rate risks as at 31 December 2006 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	1,178,290	1,874,161	3,313,336	338,258	414,793	234,237	156,926	7,510,001
Total liabilities and shareholders' equity	3,349,576	1,111,970	1,926,583	214,737	406,428	28,893	471,814	7,510,001
Interest rate sensitivity gap	(2,171,286)	762,191	1,386,753	123,521	8,365	205,344	(314,888)	

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

NOTE 32 INTEREST RATE RISK (continued)

The Group's interest rate risk as at 31 December 2007 is as follows:

	Less than 1 mon	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Assets								
Cash and balances with central banks	475,595							475,595
Loans and advances to banks	271,152	15,866			40,311			327,329
Trading securities		161	70	487	1,465	928	103	3,214
Derivative financial instruments	1,431	5,831	780	1,515	87,267	1,997		98,821
Loans and advances to customers	409,610	1,985 918	4,304,393	386,481	977,947	612,469	133,399	8,810,217
Finance lease receivables	104,549	228,103	374,844	7,284	21,957	15,509	2,092	754,338
Securities available for sale	238,767	487,130	5	148	287	425	311	727,073
Intangible assets							8,932	8,932
Property, plant and equipment							125,874	125,874
Deferred tax assets							780	780
Other assets	62,716	1,357	912	49	14	21	15,964	81,033
Total assets	1,563,820	2,724,366	4,681,004	395,964	1,129,248	631,349	287,455	11,413,206
Liabilities and shareholders' equity								
Due to banks	638,260	932 ,979	2,798,416	4,135		569,712		4,943,502
Derivative financial instruments	749	5,506	3,930	109	468	974		11,736
Due to customers	3,132,493	491,183	259,905	266,515	55,531	6,026		4,211,653
Debt securities in issue	60,783	113,100	31,302	79,905	822,101	8,933		1,116,124
Special and lending funds	15,824							15,824
Other liabilities	82,213	1,806	2,427	4,539	1,841	784	6,753	100,363
Current income tax liabilities				17,798				17,798
Subordinated loans	52,947	38,938	163,053			8,632		263,570
Shareholders' equity							732,636	732,636
Total liabilities and shareholders' equity	3,983,269	1,583,512	3,259,033	373,001	879,941	595,061	739,389	11,413,206
Interest rate sensitivity gap	(2,419,449)	1,140,854	1,421,971	22,963	249,307	36,288	(451,934)	

The Group's interest rate risks as at 31 December 2006 was as follows:

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Non interest bearing	Total
Total assets	1,238,237	2,014,170	3,277,133	343,266	418,924	236,481	207,175	7,735,386
Total liabilities and shareholders' equity	3,462,550	1,149,022	1,997,810	215,570	407,633	29,132	473,669	7,735,386
Interest rate sensitivity gap	(2,224,313)	865,148	1,279,323	127,696	11,291	207,349	(266,494)	

NOTE 33 RELATED PARTY TRANSACTIONS

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

During 2007, a number of banking transactions were entered into with related parties in the normal course of business. These include settlements, loans, deposits and foreign currency transactions.

The balances of loans granted by the Bank to management (and close family members) and deposits accepted as at the end of the period and their average annual interest rates are as follows:

	Balances of deposits		Average annual interest rates		Principal of loans outstanding		Average annual interest rates	
	31 December 2007	31 December 2006	2007	2006	31 December 2007	31 December 2006	2007	2006
Management of the Bank	1,592	979	2.54%	1.21%	1,120	889	5.87%	3.14%
Management of subsidiaries and close family members of management	1,378	1,015	1.43%	1.43%	7,861	2,084	5.87%	3.61%

No impairment losses have been recognised in respect of loans given to related parties in 2007 and 2006.

In 2007 the total compensations for the Group management approximated LTL 3,766 thousand (in 2006– LTL 4,239 thousand). In 2007 the total compensations for the Bank's management approximated LTL 2,832 thousand (in 2006 – LTL 3,548 thousand).

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

	2007	2006
Liabilities		
Correspondent bank accounts	151	438,506
Subordinated loans	99,065	98,949
Loans	614,574	105,215
Accrued expenses	3,719	3,719

	2007	2006
Income		
Other	50	
Expenses		
Interest	25,880	3,210
Fee and commission		101
Operating	7,028	3,719

NOTE 33 RELATED PARTY TRANSACTIONS (continued)

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

	2007	2006
Assets		
Correspondent bank accounts	20,827	3,299
Overnight deposits	1,408	109,280
Term deposits	44,590	4,274
Derivative financial instruments	47,465	27,377
Debt securities	9,182	
Liabilities		
Correspondent bank accounts	485	1,276
Derivative financial instruments	9,405	2,254
Overnight deposits	12,967	
Term deposits	4,034,311	2,327,178
Subordinated loans	116,935	52,698
Loans	156,242	346,444

	2007	2006
Income		
Interest	7,408	3,339
Fee and commission	15	111
Net gain (loss) from foreign exchange	(58)	(14)
Net gain (loss) from operations with financial instruments	2,341	(282)
Other	484	
Expenses		
Interest	130,625	57,318
Fee and commission	178	21
Operating		33

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

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

	2007	2006
Assets		
Loans	58,943	310,343
Equity securities	7,200	6,200
Other assets	187	327
Liabilities		
Demand deposits	885	3,227
Term deposits	13,555	

The main income/expenses of the Bank from transactions with subsidiaries are as follows:

	2007	2006
Income		
Interest	3,582	10,126
Fee and commission	5,576	1,244
Dividends	1,310	2,000
Other	67	233
Expenses		
Interest	37	17
Fee and commission	73	3
Operating	165	837

NOTE 34 CONCENTRATION EXPOSURE

According to the regulations approved by the Bank of Lithuania, maximum exposure per one borrower may not exceed 25 per cent of bank calculated capital. The total of large loans granted by a bank may not exceed 800 per cent of bank calculated capital. In 2006 and 2007 the Bank complied with maximum exposure to one borrower and the large exposure requirements set by the Bank of Lithuania. As at 31 December 2007, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by Government guarantees, amounted to LTL 133 million (total amount represents commitments to provide credit facilities), which is 15.24 % of the Bank's calculated capital (2006: LTL 90 million and 14.73% respectively); the total large loans ratio as at 31 December 2007 is 127.12 % of the Bank's calculated capital (2006: 119.53 % respectively).

NOTE 35 FUNDS UNDER MANAGEMENT BY UAB DnB NORD INVESTICIJŲ VALDYMAS

Subsidiary *DnB NORD Investicijų Valdymas* UAB manages the following funds:

	2007	2006
Investment funds:		
NORD/LB Money Market Fund	17,015	18,317
DnB NORD Bond Fund	2,656	3,441
DnB NORD Equity Fund of funds	10,594	2,544
2rd pillar pension funds:		
DnB NORD pensija 1	9,946	5,698
DnB NORD pensija 2	48,750	27,533
DnB NORD pensija 3	50,448	26,215
3rd pillar pension fund:		
DnB NORD papildoma pensija	21,493	14,089
DnB NORD papildoma pensija 100	819	
Value of individually managed investment portfolios	5,895	3,868
Total	167,616	101,705

NOTE 36 COMPLIANCE WITH REGULATORY REQUIREMENTS

According to local legislation Bank is required to prepare financial group consolidated financial information. Financial group includes the Bank and subsidiaries engaged in financial service activities, that is *UAB DnB NORD Lizingas* and *UAB DnB NORD Investicijų Valdymas*. In 2007 Financial group complied with all prudential ratios set by the Bank of Lithuania. Financial group consolidated income statement, balance sheet, statement of changes in shareholder's equity and cash flow statement are presented in this note below:

FINANCIAL GROUP INCOME STATEMENT

				Year ended
		31 December 2007		31 December 2006
	Financial Group	Bank	Financial Group	Bank
Interest income	529,911	494,605	296,361	283,846
Interest expense	(270,790)	(245,880)	(135,684)	(130,031)
Net interest income	259,121	248,725	160,677	153,815
Fee and commission income	75,211	72,063	59,814	55,288
Fee and commission expense	(16,397)	(16,328)	(12,820)	(12,785)
Net interest, fee and commission income	317,935	304,460	207,671	196,318
Net gain on operations with securities and derivative financial instruments	7,029	8,295	(4,592)	(2,616)
Net foreign exchange gain	16,335	16,456	11,157	11,147
Impairment losses and provisions	(20,139)	(19,072)	(9,991)	(8,607)
Other income	6,315	5,783	4,669	4,664
Administrative and other operating expenses	(195,713)	(184,355)	(146,610)	(138,265)
Profit before income tax	131,762	131,567	62,304	62,641
Income tax	(24,121)	(23,683)	(12,535)	(12,338)
Net profit for the year	107,641	107,884	49,769	50,303
Earnings per share (in LTL per share)				
Basic	36.17		19.80	
Diluted	36.17		19.80	

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

FINANCIAL GROUP BALANCE SHEET

	31 December 2007		31 December 2006	
	Financial Group	Bank	Financial Group	Bank
ASSETS				
Cash and balances with central banks	475,595	475,592	352,032	352,029
Loans and advances to banks	327,329	327,328	290,134	290,134
Trading securities	3,214	3,214	24,150	24,150
Derivative financial instruments	98,821	98,821	32,490	32,490
Loans and advances to customers	8,810,340	8,869,160	5,856,435	6,166,778
Finance lease receivables	754,338		480,173	
Securities available-for-sale	727,073	725,863	536,276	530,393
Investments in subsidiaries	1,000	7,200		6,200
Intangible assets	8,850	8,202	7,096	6,806
Property, plant and equipment	125,651	105,186	108,560	93,652
Deferred tax asset	780	212	660	
Other assets	80,817	10,691	47,380	7,369
Total assets	11,413,808	10,631,469	7,735,386	7,510,001
LIABILITIES				
Due to banks	4,943,502	4,172,686	3,330,373	3,121,057
Derivative financial instruments	11,736	11,736	2,479	2,479
Due to customers	4,211,662	4,226,093	3,095,371	3,098,598
Debt securities in issue	1,116,124	1,116,124	553,601	553,601
Special and lending funds	15,824	15,824	9,890	9,890
Other liabilities	100,232	75,813	73,421	56,420
Current income tax liabilities	17,798	17,795	4,511	4,037
Deferred tax liabilities			271	271
Subordinated loans	263,570	263,570	199,054	199,054
Total liabilities	10,680,448	9,899,641	7,268,971	7,045,407
SHAREHOLDERS' EQUITY				
Share capital	569,439	569,439	404,536	404,536
Retained earnings	161,890	160,517	57,374	55,689
Other reserves	2,031	1,872	4,505	4,369
Total shareholders equity	733,360	731,828	466,415	464,594
Total liabilities and shareholders' equity	11,413,808	10,631,469	7,735,386	7,510,001

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

fNOTE 32 INTEREST RATE RISK (continued)

The Group's interest rate risk as at 31 December 2007 is as follows:

	Ordinary shares	Share premium	Property, plant and equipment revaluation reserve	Financial assets revaluation reserve	Mandatory reserve	Retained earnings	Total
Previously reported Balance at 31 December 2005	**234,110**	**34,889**	**983**	**(166)**	**892**	**60,146**	**330,854**
Effect of deferred day 1 profit restatement						(348)	(348)
Restated Balance at 31 December 2005	**234,110**	**34,889**	**983**	**(166)**	**892**	**59,798**	**330,506**
Net changes in available for sale securities revaluation, net of tax				(111)			(111)
Net profit for the year (restated)						49,769	49,769
Total recognised income and expense (restated)				(111)		49,769	49,658
Increase of share capital (by increasing the par value per share)	49,286					(49,286)	
Increase of share capital (by issuing ordinary registered shares)	28,340	57,911					86,251
Transfer to mandatory reserve					2,983	(2,983)	
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated			(76)			76	
Restated Balance at 31 December 2006	**311,736**	**92,800**	**907**	**(277)**	**3,875**	**57,374**	**466,415**
Net changes in available for sale securities revaluation, net of tax				(5,599)			(5,599)
Net profit for the year						107,641	107,641
Total recognised income and expense				(5,599)		107,641	102,042
Increase of share capital (by issuing ordinary registered shares)	51,956	112,947					164,903
Transfer to mandatory reserve					3,169	(3,169)	
Transfer from revaluation reserve on property, plant and equipment sold or fully depreciated			(44)			44	
Balance at 31 December 2007	**363,692**	**205,747**	**863**	**(5,876)**	**7,044**	**161,890**	**733,360**

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

FINANCIAL GROUP CASH FLOW STATEMENT

				Year ended
		31 December 2007		31 December 2006
	Financial Group	Bank	Financial Group	Bank
Operating activities				
Receipt (payments)				
Interest receipt	483,871	451,221	274,367	261,587
Interest payments	(188,932)	(173,071)	(87,648)	(84,009)
Collected previously written-off loans	4,050	4,050	9,511	9,511
Net receipt from operations in foreign currency	8,618	8,739	5,031	5,016
Net receipt from operations in securities	7,214	7,170	3,406	3,378
Fee and commission receipt	75,211	72,063	59,814	55,288
Fee and commission payments	(16,397)	(16,328)	(12,820)	(12,785)
Salaries and related payments	(68,851)	(65,373)	(58,086)	(55,596)
Other payments	(87,360)	(84,123)	(67,085)	(64,767)
Net cash flow from operating profits before changes in operating assets and liabilities	217,424	204,348	126,490	117,623
(Increase) decrease in operating assets				
(Increase) decrease in loans to credit and financial institutions	(222,618)	27,988	(80,352)	(168,491)
(Increase) in loans granted	(2,867,867)	(2,867,867)	(2,079,776)	(2,079,776)
Purchase of trading securities	(25,632)	(25,632)	(119,099)	(119,099)
Proceeds from trading securities	46,513	46,513	147,711	147,711
(Increase) decrease in other short-term assets	(299,831)	1,588	(175,175)	668
Change in operating assets	(3,369,435)	(2,817,410)	(2,306,691)	(2,218,987)
Increase in liabilities				
Increase in liabilities to credit and financial institutions	1,605,386	1,064,040	1,694,885	1,591,618
Increase in deposits	1,102,328	1,102,328	400,185	400,185
Increase (decrease) in other liabilities	4,226	(3,264)	1,392	8,775
Change in liabilities	2,711,940	2,163,104	2,096,462	2,000,578
Net cash flow from operating activities before income tax	(440,071)	(449,958)	(83,739)	(100,786)
Income tax paid	(10,348)	(9,433)	(461)	(62)
Net cash flow from operating activities	(450,419)	(459,391)	(84,200)	(100,848)

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

FINANCIAL GROUP CASH FLOW STATEMENT (continued)

				Year ended
		31 December 2007		31 December 2006
	Financial Group	Bank	Financial Group	Bank
Investing activities				
Acquisition of property, plant , equipment and intangible assets	(40,946)	(25,854)	(29,365)	(18,695)
Disposal of property, plant, equipment and intangible assets	3,814	1,039	2,541	1,664
Purchase of available for sale securities	(309,393)	(303,342)	(537,708)	(507,514)
Proceeds from available for sale securities	120,349	109,678	394,417	369,079
Dividends received	3	1,313	1	2,001
Interest received	24,427	24,392	25,499	25,501
Investment in subsidiaries (acquisition)	(1,000)	(1,000)		
Net cash flow from investing activities	(202,746)	(193,774)	(144,615)	(127,964)
Financing activities				
Own debt securities redemption	(968,509)	(968,509)	(172,640)	(172,640)
Own debt securities issued	1,457,633	1,457,633	254,128	254,128
Increase in share capital	164,903	164,903	86,251	86,251
Received subordinated loans	63,876	63,876	98,405	98,405
Interest paid	(35,781)	(35,781)	(20,904)	(20,904)
Net cash flow from financing activities	682,122	682,122	245,240	245,240
Net increase in cash and cash equivalents	28,957	28,957	16,425	16,428
Cash and cash equivalents at beginning of year	506,015	506,012	489,590	489,584
Cash and cash equivalents at 31 December	534,972	534,969	506,015	506,012