

**DANSKE BANK A/S LITHUANIAN BRANCH**  
FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010  
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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## Independent auditor's report to the shareholders of Danske Bank A/S

We have audited the accompanying financial information for publication purposes of Danske Bank A/S Lithuania Branch (hereinafter - "the Branch"), which comprises a statement of financial position as at 31 December 2010, a statement of comprehensive income for the year then ended and an explanatory information, including the summary of off balance sheet items as at 31 December 2010. The financial information for publication purposes has been prepared on the basis of preparation described in Note 3, attached to this financial information, and is solely to meet the information publication requirements applicable in Lithuania for branches of foreign banks licensed in the Member States of the European Union.

### *Management's responsibility for the financial information*

Management of the Branch is responsible for the preparation of this financial information for publication purposes on the basis described in Note 3, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial information for publication purposes based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information for publication purposes is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information for publication purposes. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information for publication purposes, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial information for publication purposes 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information for publication purposes.

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


### *Opinion*

In our opinion, the financial information for publication purposes of Danske Bank A/S Lithuania Branch as at 31 December 2010 and for the year then ended has been prepared, in all material respects, in accordance with the basis of preparation described in Note 3.

### *Basis of preparation*

Without modifying our opinion, we draw attention to Note 3 to the financial information for publication purposes, which describes the basis of accounting. The financial information has been prepared solely to meet the information publication requirements in Lithuania applicable for branches of foreign banks licensed in the Member States of the European Union. As a result, the financial information for publication purposes may not be suitable for another purpose.

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 001335



Jonas Akelis  
Auditor's licence  
No. 000003  
President



Ramūnas Bartašius  
Auditor's licence  
No. 000362

The audit was completed on 10 February 2011.

STATEMENT OF COMPREHENSIVE INCOME

	2010	2009
On placements with central bank	1,040	1,513
On loans and other amounts receivable	147,213	228,174
On held to maturity investments	11,012	8,621
On financial assets at fair value through profit or loss and hedging transactions	276,461	80,445
<b>Interest income</b>	<b>435,726</b>	<b>318,753</b>
On liabilities to and placements from credit and financial institutions	(19,655)	(98,123)
On deposits	(30,476)	(48,641)
On financial assets at fair value through profit or loss and hedging transactions	(292,035)	(91,221)
<b>Interest expenses</b>	<b>(342,166)</b>	<b>(237,985)</b>
<b>Net interest income</b>	<b>93,560</b>	<b>80,768</b>
Fee and commission income	20,552	21,003
Fee and commission expenses	(6,643)	(6,430)
<b>Net fee and commission income</b>	<b>13,909</b>	<b>14,573</b>
Net loss on trading securities and related derivatives	(164)	(572)
Net gain on interest bearing financial instruments and related derivatives	1,851	327
Net foreign exchange gain	4,115	3,096
Net loss on market goods and related derivatives	(8)	(80)
Net gain on other financial assets and derivatives	6,046	1,696
Net result on hedging transactions	468	(12,151)
<b>Net trading income (expenses)</b>	<b>12,308</b>	<b>(7,684)</b>
<b>Other non-interest income</b>	<b>3,458</b>	<b>2,226</b>
Salaries and benefits	(32,859)	(34,548)
Depreciation and amortization	(2,249)	(3,050)
Premise rent and maintenance	(7,107)	(7,304)
Other operating expenses	(16,693)	(19,752)
<b>Operating expenses</b>	<b>(58,908)</b>	<b>(64,654)</b>
<b>Impairment (expenses) reversals for investment in company and provisions for loss coverage</b>	<b>2,432</b>	<b>(49,070)</b>
<b>Impairment expenses for loan portfolio and provisions for off-balance sheet and other items</b>	<b>(63,189)</b>	<b>(434,420)</b>
<b>Profit (loss) before profit tax</b>	<b>3,570</b>	<b>(458,261)</b>
Profit (tax) / tax benefit	2,110	24,362
<b>Profit (loss) for the period</b>	<b>5,680</b>	<b>(433,899)</b>
Other comprehensive income, net of tax	-	-
<b>Total comprehensive income, net of tax</b>	<b>5,680</b>	<b>(433,899)</b>

The accompanying notes are an integral part of this financial information.

**STATEMENT OF FINANCIAL POSITION**

	<u>31/12/2010</u>	<u>31/12/2009</u>
<b>Assets</b>		
Cash and balances with the Bank of Lithuania	305,359	327,496
Financial assets at fair value through profit or loss	396,384	96,768
Due from banks and other credit institutions	137,159	181,616
Loans to customers, net	3,770,297	4,128,165
Financial leasing, net	29,689	28,250
Held to maturity investments	599,303	581,236
Fair value changes of hedged items	16,845	37,993
Investment property	10,340	-
Tangible fixed assets	2,522	8,050
Intangible fixed assets	155	408
Investment into the leasing company	4,512	2,080
Deferred tax assets	36,188	34,079
Other assets, net	8,401	22,966
<b>Total assets</b>	<b><u>5,317,154</u></b>	<b><u>5,449,107</u></b>
<b>Liabilities</b>		
Amounts owed to banks and other credit institutions	1,858,720	3,010,495
Financial liabilities at fair value through profit or loss	269,248	62,010
Deposits	3,109,415	2,386,573
Debt securities issued	-	4,141
Derivatives for fair value hedges	35,926	47,822
Fair value changes of hedged items	5,455	16,556
Provisions for loan commitments and guaranties	3,554	15,936
Other provisions	470	-
Compensation of current year loss payable to head office	13,095	-
Other liabilities	15,591	40,448
<b>Total liabilities</b>	<b><u>5,311,474</u></b>	<b><u>5,583,981</u></b>
Received compensation of current year loss	-	299,025
Profit (loss) for the period	5,680	(433,899)
<b>Total liabilities and earnings</b>	<b><u>5,317,154</u></b>	<b><u>5,449,107</u></b>

The accompanying notes are an integral part of this financial information.

**OFF BALANCE SHEET**

	<u>31/12/2010</u>	<u>31/12/2009</u>
<b>Loan commitments issued to:</b>	<b><u>219,059</u></b>	<b><u>321,148</u></b>
Government institutions	151	164
Credit institutions	5	5
Financial and insurance institutions	10,022	9,595
Corporate clients	184,842	260,977
Retail clients	24,039	50,407
<b>Financial guarantees issued to:</b>	<b><u>71,954</u></b>	<b><u>63,377</u></b>
Credit institutions	2,467	2,612
Financial and insurance institutions	448	441
Corporate clients	69,034	60,319
Retail clients	5	5
<b>Issued letters of credit</b>	<b><u>10,703</u></b>	<b><u>9,747</u></b>
<b>Short - term commitments to purchase (sell) foreign currency (spot deals)</b>		
Receivables (claims)	<u>2,443</u>	<u>71,110</u>
Payables (liabilities)	<u>2,447</u>	<u>71,114</u>

The accompanying notes are an integral part of this financial information.


ASSET QUALITY AND RISK RATIOS

	<u>31/12/2010</u>	<u>31/12/2009</u>
PORTFOLIO QUALITY		
<b>Loans and financial leasing to customers</b>	<b>4,364,859</b>	<b>4,652,406</b>
Unpaid principal	4,351,117	4,637,821
Accrued and unpaid interest	20,545	21,672
Deferred income	(6,803)	(7,087)
Impairment loss, assessed individually	(485,893)	(362,354)
Impairment loss, assessed collectively	(78,980)	(133,637)
<b>Loans and financial leasing to customers, net</b>	<b>3,799,986</b>	<b>4,156,415</b>
<b>Impairment rate</b>	<b>12.94%</b>	<b>10.66%</b>
RISK RATIOS		
<b>Liquidity ratio</b>	<b>40.40%</b>	<b>42.07%</b>

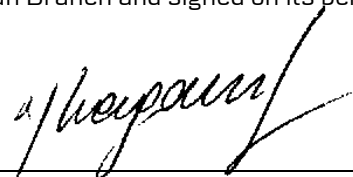
The accompanying notes are an integral part of this financial information.

The financial information were authorised for issue on 10 February 2011.

The financial information has been approved by Danske Bank A/S Lithuanian Branch and signed on its behalf by:



Gintautas Galvanauskas  
Chief executive officer



Lina Stragauskiene  
Chief accountant

## NOTES TO THE FINANCIAL INFORMATION FOR PUBLICATION PURPOSES

### NOTE 1. DANSKE BANK A/S ACTIVITIES IN LITHUANIA

Danske Bank A/S (Denmark) carries its activities in Lithuania through the branch (hereinafter - the Branch). The Branch was established on 1 June 2008 during the reorganization procedures of AB Sampo Bankas, which was merged to Danske Bank A/S - all assets, rights and liabilities of AB Sampo Bankas were transferred to the Branch.

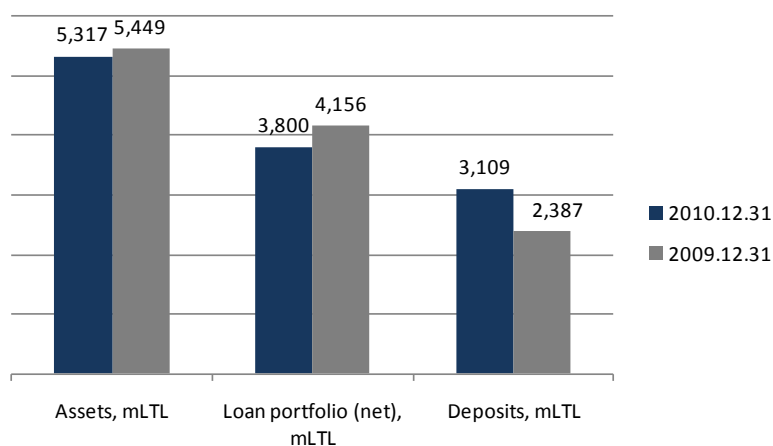
### NOTE 2. OVERVIEW OF THE YEAR 2010

As of 31 December 2010 the Branch had 8 regional client service centres situated in Kaunas, Klaipėda, Panevėžys, Šiauliai, Alytus and three centres in Vilnius. The Head office is located at Saltoniškių str. 2, in Vilnius, Lithuania.

The Branch employed 387 full-time employees at the end of the year 2010.

The Branch is engaged in provision of financial services and deals with deposits, loans, money transfers, documentary settlements, currency exchange, trade finance, asset management, investing activities, brokerage, etc. both to corporate and retail sectors. From March 2009 the Branch provides financial leasing services.

At the end of 2010 the assets of the Branch were equal to LTL 5.32 billion and decreased by 2% comparing to the end of 2009. This change was caused by a decrease in net loan portfolio which was influenced by the portfolio amortization and impairment charges. On the liabilities side deposits increased by 30% and amounted to LTL 3.11 billion as of 31 December 2010 improving the gross loan/deposit ratio to 140% [195% as of 31 December 2009].



The profit of the Branch before impairment charges and tax in 2010 amounted to LTL 64.3 million (against LTL 25.2 million in 2009). The upward trend was owing mainly to higher net interest income and net trading income. An optimisation of funding and an increase in lending margins raised net interest income from LTL 80.8 million in 2009 to LTL 93.6 million in 2010. Net trading income amounted to LTL 12.3 million, against a loss of LTL 7.7 million a year earlier. The increase was owing mainly to brokerage activities. Cost control reduced operating expenses by 9% from the level in 2009.

As the economy improved and the number of impaired customers stabilised, the level of loan impairment charges fell significantly. The Branch accounted LTL 63.2 million of impairment charges for loans portfolio and provisions for off-balance sheet items in 2010. The Branch also made a reversal of LTL 2.4 million impairments for investment into UAB Danske Lizingas. These charges adjusted the pre-tax profit of the Branch to LTL 3.6 million (against a loss of LTL 458.3 million in 2009).

The year 2010 was another challenging year to the Branch and its clients. The Branch mainly focused on the four Group cornerstones - customers, credit, costs and capital, and initiated the appropriate efforts to streamline operations which resulted in net profit of LTL 5.7 million for 2010, significant improvement in comparison to the prior year.

### NOTE 3. BASIS OF FINANCIAL INFORMATION PREPARATION

This financial information for publication purposes has been prepared according to the requirements of the Council Directive 89/117/EEC and the decree No 85 as of 20 May 2004 of the Bank of Lithuania for the publication of financial information of branches of foreign banks which are licensed in the Member States of the European Union, and consists of the statement of financial position of the Branch as at 31 December 2010, and a statement of comprehensive income of the Branch for the year then ended (together "the financial information for publication purposes"). This financial information for publication purposes has been prepared by the Branch by reference to the accounting policies of Danske Bank A/S, which prepares financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

This financial information for publication purposes is not intended to, and does not comprise a full set of financial statements of the Branch prepared in accordance with the IFRS.

After the reorganization procedures of AB Sampo Bankas on 1<sup>st</sup> June 2008, the Branch continues the activities of the mentioned bank, only in a new legal form. Financial information is prepared using going concern principle. The financial information of the Branch covers the data of the year 2010 and comparative information of the year 2009.

The financial information has been prepared on a historical cost basis, except for financial assets and financial liabilities accounted for at fair value through profit or loss and investment property that have been measured at fair value.

The functional currency of the Branch is local currency of the Republic of Lithuania, Litas (LTL). The amounts shown in this financial information are presented in thousand Litas (unless otherwise stated).

The Branch in all material respects applies the accounting policies of Danske Bank A/S, that are summarized in Annual Reports of Danske Bank A/S with the following adoptions:

- The Branch reflects accrued interest for financial asset or liabilities accounted for using the amortised cost method as part of the asset's or liabilities' carrying amount. Such interest is reported as Other assets or Other liabilities in Danske Bank A/S financial reports.
- The Branch reviews its loans and receivables at least on quarterly basis to assess impairment. If after the initial recognition of the loan the loss event is identified and the loan is significant, the impairment charge for such loan is assessed individually and is calculated as the difference between the carrying amount of the loan and the present value of the future cash flows estimated by the Branch. Other loans are included in an assessment of the collective impairment, which is calculated for portfolios of similar loans. The calculations of collective impairments performed by the Branch are based on the principals of the statistical model of Markov chains and are tested once in a year to reduce any differences between loss estimates and actual loss experience. Danske Bank A/S performs the assessment of the collective impairments for the Branch's loans estimating the migration of customer ratings. There were no significant differences between the amounts estimated by the Branch and Danske Bank A/S for 31 December 2010.
- The Branch accounts payable and receivable interest for the derivative financial instruments in gross amounts and reflects them separately in Interest income or Interest expense captions. These amounts are offset and the net amount is reported in Danske Bank A/S financial reports.
- The Branch applies fair value hedge accounting in regard of derivatives used to manage portfolio interest rate risk and made with Danske Bank A/S. With effective hedging, the hedged interest rate risk on hedged assets and liabilities is measured at fair value and recognised as a value adjustment of the hedged items. Value adjustments are carried in the statement of comprehensive income under Net trading income and under a separate line item within assets (if the hedged item is an asset) or liabilities (if the hedged item is a liability). Any ineffective portion of a hedge which lies within the range for effective hedging is therefore also included under net trading income.

- Considering the fact that during the reorganization procedures all assets, rights and obligations of AB Sampo Bankas were transferred to Danske Bank A/S, which continues to carry out its activities in Lithuania through the Branch, the shares of UAB Danske Lizingas (the former subsidiary of AB Sampo Bankas) are included in financial information of the Branch applying the cost method. In 2010 the operational result of UAB Danske Lizingas was a net profit of LTL 24 million. Taking into the account the performance forecasts for UAB Danske Lizingas the Branch estimated and accounted the partial reversal of impairments of LTL 2.4 million for the investment into UAB Danske Lizingas. Holdings in subsidiary undertakings are measured on the basis of the equity method in Danske Bank A/S financial reports.

It was recognized deferred tax asset amounting to LTL 36 million in the Branch's financial information for 2010. Deferred tax asset was reduced by 45% from gross amount. Based on estimates it is expected that there will be sufficient taxable profits to realize deferred tax assets to the extent as it is recognized in Branch's accounts.

The Branch reports investments in properties held in order to receive rental income and/or for capital appreciation as investment properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise.

Annual Report of Danske Bank A/S for the year ended 31 December 2010 is available at [www.danskebank.com](http://www.danskebank.com).