

**LITHUANIAN CENTRAL CREDIT UNION
FINANCIAL STATEMENTS
31 DECEMBER 2009**

This version of the accompanying documents is a translation from the original, which was prepared in Lithuania. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of this document takes precedence over this translation.

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(All tabular amounts are in LTL thousand, unless otherwise stated)

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This version of our report is translation from original, which was prepared in Lithuania. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original version of our report takes precedence over this translation.

Independent auditor's report

To the members of the Lithuanian Central Credit Union

We have audited the accompanying financial statements of Lithuanian Central Credit Union ("the LCCU") set out in pages 4-33 which comprise the balance sheet as of 31 December 2009 and the income statement, statement of changes in capital and reserves and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility of 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 LCCU as at 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted for use in European Union.

On behalf of PricewaterhouseCoopers UAB

Christopher C. Butler
Partner

Rasa Radzevičienė
Auditor's Certificate no. 000377

Vilnius, Republic of Lithuania
23 February 2010

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(All tabular amounts are in LTL thousand, unless otherwise stated)

STATEMENT OF COMPERHENSIVE INCOME

	Note	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	1	9,103	5,775
Interest expense	1	4,343	(2,450)
Net interest income		4,760	3,325
Fee and commission income	2	712	653
Fee and commission expense	2	565	(443)
Net fee and commission income		147	210
Other income	3	512	540
Operating expenses	5	(3,152)	(3,092)
Impairment charge for credit losses (reversal)	8	(222)	-
Net gain on foreign exchange operations	4	22	-
Depreciation of tangible assets	10	(192)	(181)
Amortisation and write-off of intangible assets	11,17	(572)	(166)
Profit before income tax		1,303	636
Income tax expense	6	(348)	(37)
Profit for the year		955	599
Other comprehensive income for the year			
Net change in re-measurement of available-for-sale securities		1,137	(885)
Deferred income tax relating to change in available-for-sale securities		(223)	212
Other comprehensive income for the year, net of deferred income tax		914	(673)
Total comprehensive income for the year		1,869	(74)

The accounting policies and notes on pages 8 to 33 form an integral part of these financial statements.

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(All tabular amounts are in LTL thousand, unless otherwise stated)

BALANCE SHEET

	Note	At 31 December 2009	At 31 December 2008
ASSETS			
Cash and balances with central bank	7	2,394	941
Loans and advances to credit institutions	8	144,478	92,593
Investment securities	9		
- Available for sale		20,466	31,432
- Held-to-maturity		35,471	9,690
Tangible fixed assets	10	1,633	1,283
Intangible assets	11	459	1,014
Other assets	12	186	392
Total assets		205,087	137,345
LIABILITIES			
Due to credit institutions	13	175,980	115,835
Deposits	14	306	285
Subordinated loans	15	5,188	3,094
Liquidity reserve	16	6,418	5,732
Income tax payable		169	22
Other liabilities	17	758	624
Total liabilities		188,819	125,592
CAPITAL AND RESERVES			
	18		
Primary shares		62	62
Additional shares		9,618	7,286
Additional reserve capital		158	158
Reserve capital		749	612
Stabilisation fund		4,660	3,884
Revaluation reserve of financial assets		66	(848)
Retained earnings		955	599
Total capital and reserves		16,268	11,753
Total liabilities, capital and reserves		205,087	137,345

The accounting policies and notes on pages 8 to 33 form an integral part of these financial statements.

The financial statements set out on pages 4 to 33 were signed on 23 February 2010 by:

Chief Executive Officer
Sigitas Bubnys

Chief Accountant
Jurgita Kubilienė

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(All tabular amounts are in LTL thousand, unless otherwise stated)

CASH FLOW STATEMENT

	Note	Year ended 31 December 2009	Year ended 31 December 2008
Operating activities			
Interest received		7,799	5,799
Interest paid		(3,845)	(2,456)
Fee and commission receipts		739	656
Commission payments		(517)	(434)
Salaries and social security payments		(1,731)	(1,582)
Non-finance income		508	537
Other operating expenses paid		(1,434)	(1,430)
Changes in assets/liabilities			
Decrease/(increase) in loans to credit unions		35,566	(32,359)
Increase/(decrease) in amounts due to credit institutions		59,667	(8,452)
Increased in time deposits held with banks		(84,000)	(4,000)
(Increase) in other assets		31	30
Increase/(decrease) in demand deposits from legal persons		21	(21)
Increase in liquidity reserve	16	686	403
Increase in other liabilities		189	3
Net cash from operating activities before income tax		<u>13,679</u>	<u>(43,306)</u>
Income tax paid		(201)	(64)
Net cash from operating activities		<u>13,478</u>	<u>(43,370)</u>
Investing activities			
Purchase of tangible fixed assets and intangible assets		(697)	(811)
Purchase of debt securities		(13,035)	(4,253)
Net cash used in investing activities		<u>(13,732)</u>	<u>(5,064)</u>
Financing activities			
Payments received from members for primary and additional shares		2,332	1,994
Payments to members upon distribution of profit for 2008		(308)	(482)
Subordinated loans received		2,073	1,702
Contributions to stabilisation fund		622	660
Net cash from financing activities		<u>4,719</u>	<u>3,874</u>
Net increase in cash and cash equivalents		<u>4,465</u>	<u>(44,560)</u>
Cash and cash equivalents at the beginning of period		7,799	52,359
Cash and cash equivalents at the end of period:		<u>12,264</u>	<u>7,799</u>
Cash and balance in correspondent account with the Bank of Lithuania	7	2,394	941
Balances in correspondent accounts with banks	8	<u>9,870</u>	<u>6,858</u>

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STATEMENT OF CHANGES IN CAPITAL AND RESERVES

	Note	Primary shares	Additional shares of credit unions	Additional reserve capital	Reserve capital	Stabilisation fund	Financial assets revaluation reserve	Retained earnings	Total
At 31 December 2007		60	5,294	158	459	3,145	(175)	714	9,655
Total comprehensive income for the year		-	-	-	-	-	(673)	599	(74)
Additional shares contributed by members		-	1,992	-	-	-	-	-	1,992
Primary shares contributed by new members		2	-	-	-	-	-	-	2
Transfer of profit for 2007		-	-	-	153	79	-	(232)	-
Payments to members		-	-	-	-	-	-	(482)	(482)
Contributions to stabilisation fund		-	-	-	-	660	-	-	660
At 31 December 2008		62	7,286	158	612	3,884	(848)	599	11,753
Total comprehensive income for the year		-	-	-	-	-	914	955	1,869
Additional shares contributed by members		-	2,332	-	-	-	-	-	2,332
Transfer of profit for 2008		-	-	-	137	154	-	(291)	-
Payments to members		-	-	-	-	-	-	(308)	(308)
Contributions to stabilisation fund		-	-	-	-	622	-	-	622
At 31 December 2009	18, 9	62	9,618	158	749	4,660	66	955	16,268

The accounting policies and notes on pages 8 to 33 form an integral part of these financial statements.

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GENERAL INFORMATION

The Lithuanian Central Credit Union (hereinafter referred to as LCCU) was registered with the Lithuanian Register of Enterprises on 22 April 2002. On 28 November 2002, the Bank of Lithuania issued a license to LCCU to perform all operations provided for in the Lithuanian Law on Central Credit Union. LCCU started its principal activities on 2 December 2002.

LCCU operates under the Lithuanian Law on Central Credit Union. LCCU is a credit institution organised on co-operative basis, established by credit unions of legal entities and the Lithuanian Government, and registered in the manner prescribed by the Lithuanian Law on Central Credit Union. LCCU is funded by capital contributed by members, and performs the functions of liquidity maintenance and solvency recovery of credit unions. In addition, LCCU performs clearing transactions of credit unions and their members, accepts deposits and repayable funds, grants loans and takes on the related risks and responsibility. In addition, LCCU provides non-financial services to the credit unions.

LCCU is located at Savanorių pr. 363 in Kaunas. As at the end of the reporting period, LCCU had 30 (at the end of 2008: 28) employees.

In 2009, LCCU provided services to its member credit unions and 3 other legal entities. As at 31 December 2009, the members of LCCU were 61 (2008: 61) credit unions and the Lithuanian Government.

ACCOUNTING POLICIES

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and comply with these standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities.

(a) Amendments to existing standards and interpretations effective in 2009

The following amendments to existing standards and interpretations to published standards as adopted by EU are mandatory for the financial year 2009:

- IAS 1, 'Presentation of financial statements' (revised in September 2007) – effective for annual periods beginning on or after 1 January 2009. The main change in IAS 1 is the replacement of the income statement by the statement of comprehensive income which also includes all non-owner changes in equity, such as revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. LCCU changed the presentation of its financial statements but it had no impact on the recognition or measurement of specific transactions and balances.
- Improving disclosures about financial instruments – Amendment to IFRS 7, 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.
- IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. This standard is not relevant to the operations of LCCU.
- IAS 23, 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing

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costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. This amendment does not have a significant impact on the operations of LCCU.

- Puttable financial instruments and obligations arising on liquidation – Amendment to IAS 32 and IAS 1 (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The adoption of this standard has not affected the classification of LCCU's financial liabilities and capital and reserves.
- Vesting conditions and cancellations – Amendment to IFRS 2, 'Share-based payment' (effective for annual periods beginning on or after 1 January 2009). It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment is not relevant to the operations of LCCU.
- Cost of an investment in a subsidiary, jointly controlled entity or associate – Amendment to IFRS 1 and IAS 27 (effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. This amendment is not relevant to the operations of LCCU.
- IFRIC 13, 'Customer loyalty programmes' (effective for annual periods beginning on or after 1 July 2008 for financial statements prepared under IFRS; adopted by the EU with an effective date postponed to annual periods beginning after 31 December 2008; early adoption permitted). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This interpretation is not relevant to the operations of LCCU.

On 23 January 2009, the EU endorsed the Improvements to IFRS's standard published in May 2008 which amends 20 existing standards, basis of conclusions and guidance. These improvements include changes in presentation, recognition and measurement as well as terminology and editorial changes. Most of these changes are effective for periods beginning on or after 1 January 2009. These amendments are not expected to have significant impact on LCCU's financial statements.

(b) Standards and amendments to existing standards that are not yet effective, endorsed by EU and have not been early adopted by LCCU:

The following standards and amendments to existing standards have been published and are mandatory for the LCCU's accounting periods beginning on or after 1 January 2010 or later periods, but the LCCU has not early adopted them:

- IFRS 3, 'Business combinations' (revised in January 2008) – effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This standard is not expected to be relevant to the operations of LCCU.
- IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted). This interpretation is not relevant to the operations of LCCU.
- IFRIC 15, 'Agreements for the construction of real estate' (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not expected to be relevant to the operations of LCCU.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted). IFRIC 16 is not expected to be relevant to the operations of LCCU.

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- IAS 27, 'Consolidated and separate financial statements' (revised in January 2008) – effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. This standard is not expected to be relevant to the operations of LCCU.
- Eligible hedged items – Amendment to IAS 39, 'Financial instruments: Recognition and measurement' (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. This standard is not expected to be relevant to the operations of LCCU.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not expected to be relevant to the operations of LCCU.
- IFRS 1, 'First-time adoption of International Financial reporting Standards' (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. This standard is not expected to be relevant to the operations of LCCU.
- IFRIC 18, 'Transfers of assets from customers' (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, with early adoption permitted). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to be relevant to the operations of LCCU.
- Embedded derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 9 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, with early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendments will not have any impact on LCCU's financial statements.
- Classification of rights issues – Amendment to IAS 32, 'Financial instruments: Presentation' (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment will not have any impact on LCCU's financial statements.

All amounts in these financial statements are presented in a local currency, the litas (LTL), which is a functional and presentation currency of LCCU. With effect from 2 February 2002, the litas has been pegged against the euro at exchange rate of LTL 3.4528 = EUR 1.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of preparation 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 events and actions, actual results ultimately may differ from those estimates (see page 15 - 16).

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Foreign currency translation

Foreign currency transactions are accounted for using the official exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies into a local currency, are recognised in the statement of comprehensive income. Foreign currency balances at the year-end are translated using the exchange rate prevailing at the year-end.

Income and expense recognition

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income 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, LCCU estimates cash flows considering all contractual terms of the financial instrument, 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.

Proceeds received during the accounting period but not recognised as current period income is reported in the balance sheet as liabilities, whereas payments made during the accounting period but not recognised as current period expenses are reported in the balance sheet as assets.

Commission expenses are recognised when incurred. Commission income on transactions is recognised when the related transaction has been performed.

Income tax

Pursuant to the Lithuanian Law on Corporate Income Tax, with effect from 2005 and until 2008 LCCU was subject to income tax rate reduced by 70 per cent (income tax rate of 4.5 per cent was effective in 2008).

With effect from 2009, income tax relief applicable to LCCU was removed and LCCU's taxable profit was subject to a principal income tax rate of 20 per cent. As from 1 January 2010, income tax at a rate of 15 per cent has become effective.

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

The principle temporary differences arise from financial assets revaluation and accrued charges. 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.

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 tax related to re-measurement of available-for-sale investments, which is recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently recorded in the statement of comprehensive income together with the deferred gain or loss.

Employee benefits

LCCU pays social security contributions for its employees to the State Social Security Fund (hereinafter "the Fund") according to its defined contribution plan in compliance with the Lithuanian regulatory legislation. A defined contribution plan is a plan under which LCCU 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 payroll expenses. Social security contributions each year are allocated by the Fund for pension, health, sickness, maternity and unemployment payments.

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Cash and cash equivalents

Cash and cash equivalents comprise amounts with maturity term of 3 months or less from the date of their acquisition, and they represent cash on hand and cash in correspondent accounts with the Bank of Lithuania and commercial banks.

Financial liabilities

Borrowings 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 charged or credited in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are recognised on the day of settlement.

Offsetting financial assets and liabilities

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

Financial assets

Financial assets are classified into 4 categories:

- 1) financial assets at fair value through profit or loss (LCCU has no such assets);
- 2) held-to-maturity investments;
- 3) loans and receivables;
- 4) available-for-sale financial assets.

Available-for-sale and held-to-maturity securities

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

Available-for-sale securities are initially recognised at fair value plus transaction costs and subsequently remeasured at fair value based on quoted bid prices. Unrealised gains and losses, net of tax, arising from changes in the fair value of available-for-sale securities are included in 'other comprehensive income' in capital and reserves, except for impairment losses and foreign exchange gains or losses. When such financial assets are derecognised, the cumulative revaluation result previously recognised in capital and reserves is recognised in net profit or loss in the statements of comprehensive income. However, interest calculated using the effective interest rate is recognised as part of income of the reporting period.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that LCCU has the positive intention and ability to hold to maturity. Held-to-maturity securities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate, less provisions to assess the risk of possible prolonged impairment. Interest earned while holding securities is reported as interest income of the reporting period. If LCCU were to sell other than an insignificant amount of held-to-maturity securities, the entire category would be reclassified as available-for-sale.

All regular-way purchases and sales of securities are recognised on settlement date.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where LCCU has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the contractual obligation is discharged, cancelled or expires.

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 LCCU intends to sell immediately or in the short term, which are classified as held for trading, and those that LCCU upon initial recognition designates as at fair value through profit or loss; (b) those that LCCU 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.

(All tabular amounts are in LTL thousand, unless otherwise stated)

Impairment of loans, held-to-maturity and available-for-sale investments

LCCU assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. 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 statement of comprehensive income.

Objective evidence that a loan has impaired include information based on observable and historical data supporting the following loss events:

- significant financial difficulties of the borrower: e.g., a credit unit fails to comply with prudential ratios set by the Bank of Lithuania, loans past due account for more than 10 per cent of the credit union's total loan portfolio, loans written off account for over 5 per cent; and other significant financial difficulties faced by the borrower in respect of each individual loan;
- unsatisfactory or bad position of the borrower (determined in accordance with LCCU's loan origination and administration procedure);
- breach of loan agreement (delinquency in periodic contractual payments of principal and interest for more than 30 days);
- due to economic or legal reasons pertaining to financial difficulties of the borrower the borrower benefits from allowance, which otherwise would not be granted by LCCU;
- initiation of bankruptcy or reorganisation process against the borrower;
- use of loan granted to the borrower not in accordance with the designated purpose stipulated in loan agreement;
- violation of investment project's execution terms and conditions;
- default on obligations by connected persons of the borrower, which affects fulfilment of financial obligations by the borrower;
- deterioration in the value of collateral in terms of loans, the repayment terms of which directly depend on the value of collateral;
- suspension/revocation of the license held by the borrower engaged in licensed activity.

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. 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.

LCCU 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.

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.

In the case of 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 the statement of comprehensive income – is removed from capital and reserves and recognised in profit or loss in the statement of comprehensive income.

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Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models 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.

Certain derivatives embedded in other financial instruments, such as interest rate collars in received subordinated loan, 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 separately accounted for at fair value, with changes in fair value recognised in the statement of comprehensive income unless LCCU chooses to designate the hybrid contracts at fair value through profit or loss.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life. The estimated useful lives of tangible fixed assets are as follows: buildings: 25 years, cars: 6 years, furniture: 6 years, computer hardware: 3 years, and other assets: 3 to 5 years.

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. Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Gains and losses on disposals of tangible fixed assets are determined by reference to their carrying amount and are recognised in the statement of comprehensive income.

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

Repair and maintenance costs are charged to the income statement when they are incurred. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to LCCU and the cost of the item can be measured reliably.

Intangible assets

Intangible assets are recorded at cost, less subsequent accumulated amortisation. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 to 5 years.

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. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Gains and losses on disposals of intangible assets are determined by reference to their carrying amount and are recognised in the statement of comprehensive income.

Costs associated with maintenance of computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the LCCU are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant direct overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognized as expense are not recognized as an asset in a subsequent period.

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Grants and subsidies

Grants and subsidies are recognised in the financial statements only when there is reasonable assurance that the grants or subsidies will be received and that the entity will comply with the conditions attaching to them. Grants related to purchase of tangible fixed assets are recognised in the balance sheet as non-current deferred income. For the purpose of the statement of comprehensive income, they are recognised as income on the straight-line basis over the useful life of tangible fixed asset concerned by reducing depreciation and amortisation expenses of such assets. Grants for specific expenses are recognised as income in the same period as the relevant expenses.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Critical accounting estimates and judgements

LCCU makes accounting estimates and assumptions that affect amounts of assets and liabilities reported in subsequent financial years. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

LCCU reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, LCCU 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. In assessing impairment of loans, all loss events, which serve as a basis for assessing the value of a loan, are taken into consideration (see paragraph 'Impairment of loans, held-to-maturity and available-for-sale investments'). 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. In the opinion of LCCU's management, its loan portfolio was not impaired as at 31 December 2008. In the opinion of LCCU's management, 9 loans with the carrying amount of LTL 587 thousand were impaired by LTL 222 thousand as at 31 December 2009.

(b) Held-to-maturity investments

LCCU follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, LCCU evaluates its intention and ability to hold such investments to maturity. If LCCU fails to keep these investments to maturity other than for specific circumstances (e.g. selling an insignificant amount close to maturity), it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

(c) Investments in securities

Based on requirements of IAS 39 LCCU assesses whether there is objective evidence that available-for-sale securities and held-to-maturity investments are impaired. Decrease of fair value of investments in securities below their acquisition cost as at 31 December 2009 is not regarded as evidence of impairment because it has no impact on future cash flows from these investments in securities of the Lithuanian Government, therefore, LCCU's management believes that the value of investment in securities was not impaired as at 31 December 2009.

(d) Recent volatility in global and Lithuanian financial markets

The ongoing global liquidity crisis which started in mid-2007 has among other things led to lesser financing willingness of capital markets, a lower of liquidity level across the banking sector and at times, higher inter-bank loan interest rates and very large volatility in the stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

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Borrowers (credit unions) of LCCU may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for credit unions may also have an impact on management's cash flow forecasts and assessment of the impairment of financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Management is unable to reliably estimate the effects on LCCU's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of LCCU's operations in the current circumstances.

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. Fair values of financial liabilities and financial assets carried at amortised cost, except for held-to-maturity securities and loans granted to credit unions, do not significantly differ from their book values since interest rates on both deposits and subordinated loans, approximate to or do not differ significantly from market conditions. Fair value indicates a discounted value of estimated future cash flows. Expected cash flows are discounted at current market interest rates (VILIBOR or EURIBOR) plus current margin applicable to similar products as at the balance sheet date to determine the fair value.

Fair value of held-to-maturity securities is determined by reference to quoted market prices or dealer quotes. Fair value of other financial assets and liabilities is determined using the discounted cash flow models.

Held-to-maturity securities	2009	2008
Book value	35,471	9,690
Fair value	35,557	8,486
Loans received	2009	2008
Book value	10,325	8,225
Fair value	11,642	8,225
Loans to credit unions	2009	2008
Book value	46,127	81,700
Fair value	46,342	81,020

As at 31 December 2009 and 31 December 2008, fair value of deposits of credit unions does not significantly differ from their book values.

FINANCIAL RISK MANAGEMENT

To ensure proper management of LCCU's operational risks, LCCU has implemented risk management policy, the responsibility and performance of which is undertaken by LCCU' Board and head of administration. Assessment and management of LCCU's credit risk also involves the participation of LCCU's loan committee.

LCCU has implemented the risk assessment and risk management rules and policies approved by LCCU's management board that help to identify and analyse the risks assumed by LCCU, to set appropriate risk limits and controls, and to monitor the risks and compliance with the limits. LCCU 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 supervisory council.

The key risks that LCCU is exposed to are credit risk, market risk and liquidity risk. Concentration risk is treated as part of credit risk. Other types of concentration are considered immaterial by LCCU and, therefore, are not assessed.

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

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In 2008 LCCU started and in 2009 continued stress testing of credit, liquidity, market and operational risks. Stress tests are carried out to assess whether LCCU's capital is sufficient to cover unexpected losses that may arise in case test assumptions prove out and to tailor LCCU's operational plan in extreme conditions. In order to assess losses that may arise due to occurrence of above-mentioned risks LCCU uses standard, the most probable and the worst case scenarios. Results of the stress tests are presented to LCCU's Board when needed at least once a year.

Credit risk

In the ordinary course of business, LCCU takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The purpose of credit risk management is to improve the quality of loans granted by LCCU. When granting loans to the credit unions members of LCCU, the main criteria of borrower's financial position are taken into consideration. Based on those criteria, the borrower is assessed before issuing the loan and throughout the whole period from the loan issue moment to its repayment. The criteria used for the assessment of credit unions include: credit union's reputation and rating, the quality of credit union's loan portfolio, credit union's balance sheet, income statement, assessment of business plans and collateral. The evaluation of credit unions' financial position is performed on a quarterly basis, and if objective evidence arise that LCCU will be unable to collect the whole loan amount, impairment losses on such loan are recognised. To mitigate the credit risk, the Bank of Lithuania has set for LCCU a limit on maximum exposure to a single borrower – this amount should not exceed 25 per cent of LCCU's capital. Total amount of large exposures should not exceed 800 per cent of LCCU's capital. As at 31 December 2009, the largest single exposure comprising loans to several related borrowers treated as a single borrower, not secured by the Lithuanian Government guarantees, amounted to LTL 3,525 thousand, which is 18.38% of LCCU's calculated capital (31 December 2008: LTL 3,002 thousand and 23.99%, respectively). As at 31 December 2009, large loans granted by LCCU totalled LTL 18,430 thousand, which is 96.08% of LCCU's calculated capital (31 December 2008: LTL 67,347 thousand and 538.33%, respectively).

All loans of LCCU (excluding overdrafts, deposits, cash and balances in other credit institutions, including foreign banks, prepayments, guarantees and sureties) are issued only to the credit unions, which are members of LCCU. Based on the provisions of loan agreements signed between LCCU and credit unions, loan principal and/or interest amounts are charged when they fall due from the current accounts of credit unions held with LCCU in indisputable manner. The credit unions hold settlement accounts with LCCU to maintain their turnover, therefore no monitoring of overdue principal or interest payments is performed. As at 31 December 2009 and 2008, LCCU had no loans past due.

As at 31 December 2008, all loans granted by LCCU were not secured with collateral. As at 31 December 2009, 9 loans with the carrying amount of LTL 586 thousand were secured with 7 time deposits to the total value of LTL 776 thousand maturing on 30 June 2010. All other loans granted by LCCU as at 31 December 2009 were not secured with collateral

With effect from December 2008 until a separate decision passed by LCCU's Board, LCCU's management does not grant loans with the repayment term exceeding 3 years in order to minimize credit risk.

When LCCU's loan committee and/or the Board examine application for loan or if during the loan repayment period there occur any doubts as to the repayment of loan, the loan committee and/or the Board may request to provide collateral as security of loan repayment. The loan committee evaluates and determines the market value and cash flows of collateral. In case real estate is provided as collateral, the loan committee may request assistance of independent property valuers for evaluation of this property. In case penalty payments or deposits are provided as collateral, cash flows are evaluated by LCCU's finance department.

When LCCU's loan committee receives an application for loan from the credit union, it performs analysis of the application and, if necessary, other documents necessary to obtain a loan, examines the condition of the applicant, and submits its conclusions to LCCU's Board as to the possibilities of granting the loan. LCCU has implemented its internal risk management, assessment and rating system. Based on its data and other information, a preliminary assessment of the applicant's condition and follow-up monitoring of the borrower's condition is performed. Before making a decision to grant or not a certain loan, the loan committee evaluates the borrower's condition. On the last day of each quarter the loan committee assesses the condition of all borrowers of LCCU, including the borrowers who received liquidity loans. The main criteria for assessing the borrower's condition before granting a loan and throughout the entire term from loan origination to its repayment is the credit union's reputation, rating and credit history of credit unions. Based on the established approach, each criterion affecting the borrower's condition is given a score between 1 to 5, where 1 stands for very good, 2 stands for good, 3 means satisfactory, 4 means unsatisfactory, and 5 means poor. The borrower's condition is assessed as the average of scores given to these criteria.

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Starting from November of 2008, operating loans are not granted to credit unions provided that at least one of the following conditions is met:

- loans past due account for more than 5 per cent of the credit union's total loan portfolio. With effect from 12 November 2009, the latter indicator was increased up to 10 per cent;
- the credit union operated at a loss which arose as a result of loans written off or special provisions established;
- the credit union exceeds limits determined by LCCU's Board for cash balances held by credit unions with commercial banks for collection purposes and the credit union holds time deposits with commercial banks with no approval of LCCU.

In certain cases a credit union may apply to LCCU's Board with a request to grant a loan by way of exception.

Operating loans are not granted if credit unions have obtained liquidity loans or their liquidity limits do not reach an established minimum level of 30 per cent.

When LCCU's Board receives from the loan committee conclusions and recommendations as to the possibilities of granting the loan, collateral required and etc., it once again assesses the possibilities of granting the loan and makes decision as to granting or not the loan.

The loan committee examines and monitors the status of repayment of loans previously granted, considers the reasons of failure to repay the loans, assesses the results of loans classification and calculation of special provisions, assesses controls over the repayment of loans, and provides LCCU's Board with this and other necessary information.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	2009	2008
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and balances with central bank	2,394	941
Loans and advances to credit institutions	144,700	92,593
Balances in bank correspondent accounts	9,870	6,858
Time deposits held with banks	88,703	4,035
Loans to credit unions	46,127	81,700
Operating loans	42,306	71,138
Development loans	2,827	4,828
Liquidity loans	38	5,734
Subordinated loans (from stabilisation fund)	956	-
Investment securities	55,937	41,122
- Available-for-sale	20,466	31,432
- Held-to-maturity	35,471	9,690
As 31 December	203,031	134,655

As at 31 December 2009 and 2008, loans granted by LCCU were classified into the following categories: operating loans, development loans, liquidity loans and subordinated loans. As at 31 December 2009 and 2008, all the loans were granted to credit unions – financial institutions acting in Lithuania. Analysis of the quality of LCCU's loan portfolio that is neither past due nor impaired by the category of loans is as follows:

Borrower's condition	31 December 2009					31 December 2008			
	Subor-dinated	Operating	Deve-lopment	Liqui-dity	Total	Opera-ting	Deve-lopment	Liqui-dity	Total
1 – very good	-	1,063	97	-	1,160	20,796	515	-	21,311
2 - good	-	21,679	1,454	-	23,133	28,265	2,512	533	31,310
3 - satisfactory	-	16,286	801	38	17,125	15,612	1,312	2,534	19,458
4 – unsatisfac-tory	956	2,836	330	-	4,122	6,465	489	2,667	9,621
Total	956	41,864	2,682	38	45,540	71,138	4,828	5,734	81,700

Impairment of loans is assessed individually for each loan. It is considered that the exposure to risk of all loans granted by LCCU to a single borrower and/or liabilities undertaken in respect of that borrower is the same.

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LCCU's finance department registers loss events and determines loan impairment losses for these loss events, and on the last day of each quarter provides recommendations to the Board as to the approval of these impairment losses. LCCU finance department also assesses possible decrease in impairment losses of loans in previous periods. As at 31 December 2008, no indications of impairment of loans were identified. As at 31 December 2009, impairment of LTL 222 thousand was identified in respect of 9 loans granted to one borrower the carrying amount of which is LTL 587 thousand.

LCCU does not distinguish credit risk of available-for-sale and held-to-maturity securities – only securities issued by the Lithuanian Government are acquired.

As at 31 December 2009 and 2008, all balances in correspondent bank accounts and a part of time deposits were held with the bank SEB AB, which was assigned a long-term borrowing in foreign currency rating "A" by international rating agency *FitchRatings* in 2009 and 2008. As at 31 December 2009, a part of time deposits were held with the bank SWEB AB, which was assigned a long-term borrowing in foreign currency rating "A-" by international rating agency *FitchRatings* in 2009.

In 2009 and 2008, LCCU had no loans that after renegotiation would be considered as impaired or past due.

Liquidity risk

In the ordinary course of business, LCCU is exposed to the possible risk of mismatches in cash flows. The purpose of liquidity risk management is to ensure that LCCU will be able to meet its obligations in full. The key elements of liquidity risk management include LCCU Board's information system, control over liquidity management, diversification of financing sources, planning of expected commitments. The liquidity risk is managed by observing the liquidity ratio set by the Bank of Lithuania and preparing monthly cash flow reports of LCCU.

At the end of each operation day at LCCU, a responsible employee is required to check the compliance with the liquidity ratio and ensure that all cash flows have been matched. In case LCCU's liquidity ratio falls below 35 per cent, a responsible employee is required to notify about it the head of administration. During the nearest Board meeting, the head of administration is required to communicate this information to all Board members. When the liquidity ratio becomes lower than 30 per cent or there occur interruptions in the settlement process, this kind of information should be communicated immediately to the head of administration, who is required to notify the Board and take all measures necessary to recover the liquidity. Once per week or, if appropriate, every day LCCU's head of administration analyses and assesses information as to the matching of cash flows and compliance with the liquidity ratio. Analysis of matching the cash flows involves examination of the structure of assets and liabilities as at the balance sheet date. When decisions are made in relation to granting a loan or accepting a large deposit, LCCU's head of administration and the Board assess how this would affect the cash flows and compliance with the liquidity ratio.

A part of LCCU's investments in securities are classified as available-for-sale, therefore, in case of any possible interruptions in its cash flows or liquidity, these investments could be sold immediately. LCCU has a possibility to consult a bank or any other organisation as to the possibility of opening a credit line, which would help maintain liquidity. The terms and conditions of such credit line should be discussed on a case-by-case basis. In case of any actual or forecasted interruptions in LCCU's liquidity, LCCU uses the available liquidity sources, taking into account the costs of their utilisation, and at the same time suspends the process of lending and investing in time deposits.

Analysis of LCCU's assets and liabilities into maturity groupings as at 31 December 2009 is as follows:

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	On demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 10 years	Maturity undefined	Total
Assets										
Cash and balances with central bank	2,394	-	-	-	-	-	-	-	-	2,394
Investment securities	-	1,881	7,420	8,086	18,109	8,131	12,310	-	-	55,937
Loans and advances to credit institutions	9,870	20,197	44,721	37,702	9,126	18,324	2,180	2,358	-	144,478
Tangible fixed assets and intangible assets	-	-	-	-	-	-	-	-	2,092	2,092
Other assets	81	77	3	3	2	8	6	6	-	186
Total assets	12,345	22,155	52,144	45,791	27,237	26,463	14,496	2,364	2,092	205,087
Liabilities, capital and reserves										
Due to credit institutions	85,415	44,189	22,899	12,062	3,480	2,798	2,590	2,547	-	175,980
Deposits	30	-	-	-	-	276	-	-	-	306
Liquidity reserve	6,418	-	-	-	-	-	-	-	-	6,418
Other liabilities	196	318	60	35	245	73	-	-	-	927
Subordinated loans	-	-	-	32	-	1,381	-	3,775	-	5,188
Capital and reserves	-	-	-	-	-	-	-	-	16,268	16,268
Total liabilities, capital and reserves	92,059	44,507	22,959	12,129	3,725	4,528	2,590	6,322	16,268	205,087
Gap between assets and liabilities, capital and reserves	(79,714)	(22,352)	29,185	33,662	23,512	21,935	11,906	(3,958)	(14,176)	-

Liquid assets	76,538
Current liabilities	136,566
Liquidity ratio, %	56.04%

Liquid assets include cash and balances with central bank, investments in the Lithuanian Government securities not pledged, amounts due from credit institutions on demand and up to 1 month.

Current liabilities include amounts due to credit institutions on demand and up to 1 month, deposits on demand, liquidity reserve, and other liabilities on demand and up to 1 month.

The Bank of Lithuania requires that the liquidity ratio should not be lower than 30 per cent.

Analysis of LCCU's assets and liabilities into maturity groupings as at 31 December 2008 is as follows:

	On demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 10 years	Maturity undefined	Total
Assets	7,911	5,579	16,174	21,957	50,680	20,764	9,862	2,121	2,297	137,345
Liabilities, capital and reserves	101,513	6,603	4,770	3,502	620	370	1,381	6,833	11,753	137,345
Gap between assets and liabilities, capital and reserves	(93,602)	(1,024)	11,404	18,455	50,060	20,394	8,481	(4,712)	(9,456)	-

Liquid assets	46,146
Current liabilities	107,961
Liquidity ratio, %	42.74%

The structure of LCCU's financial liabilities based on the remaining period at the balance sheet to the contractual maturity date as at 31 December 2009 and 2008 is presented below. The amounts disclosed represent contractual undiscounted cash flows:

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	On demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	5 - 10 years	Total
At 31 December 2009									
Due to credit institutions	85,415	44,214	23,066	12,360	3,681	3,434	2,793	2,648	177,611
Deposits	30	-	-	-	-	320	-	-	350
Liquidity reserve	6,418	-	-	-	-	-	-	-	6,418
Other financial liabilities	-	317	36	-	169	-	-	-	522
Subordinated loans	-	-	-	150	137	1,925	369	4,250	6,831
Total financial liabilities	91,863	44,531	23,102	12,510	3,987	5,679	3,162	6,898	191,732
At 31 December 2008									
Due to credit institutions	95,617	6,518	4,750	3,713	469	906	4,063	886	116,922
Deposits	9	-	-	-	285	-	-	-	294
Liquidity reserve	5,732	-	-	-	-	-	-	-	5,732
Other financial liabilities	-	82	31	-	22	-	-	-	134
Subordinated loans	-	-	-	85	91	456	1,750	1,773	4,155
Total financial liabilities	101,358	6,600	4,781	3,798	867	1,362	5,813	2,659	127,238

Market risk

1. Market risk assessment

LCKU takes on exposure to market risk, which means the risk to incur losses due to the adverse fluctuations in the market parameters such as interest rates (interest rate risk), currency exchange rates (foreign currency risk). LCCU assesses its exposure to market risk, which means the risk that the fair value of future cash flows from financial instruments may change as a result of changes in market prices.

Possible changes in market risk are determined by taking into account the effects of its component parts, i.e. interest rate risk and currency risk.

For the assessment of its exposure to market risk, LCCU uses testing scenarios. The testing involves the use of standard, the most probable and the worst-case scenarios. Testing scenarios are carried out by assessing changes in several risk factors which occur simultaneously and reflect events that, in LCCU's opinion, are probable in future. Testing scenarios are based on historical events that had significantly affected the market or probable (presumed) events that may occur in the market in future.

As at 31 December 2009 and 2008, the amount in euros of LCCU's assets and liabilities was insignificant, therefore, currency exchange rates are considered to have no impact on LCCU's profit and capital and reserves.

LCCU assesses the impact of fluctuations in interest rates on its profit and capital and reserves. When determining this impact, LCCU assesses on-balance sheet assets and liabilities sensitive to fluctuations in interest rates with maturities up to one year, except for those assets and liabilities that bear fixed interest rates with repricing intervals not shorter than once in a calendar year, i.e. current accounts of credit unions and other legal entities, and balances in liquidity reserve. When determining the possible change in interest rate, LCCU takes into account the fluctuations in EURIBOR 12 month interest rate in 2009 and 2008, as well as macroeconomic forecasts of the Bank of Lithuania.

The impact on profit for the year 2009 of a 0.1 per cent (2008: 0.4 per cent) increase in interest rate applied to all on-balance sheet interest rate sensitive assets and liabilities would be an increase of LTL 25 thousand (2008: LTL 161 thousand), mainly as a result of higher interest income from interest-bearing assets. LCCU's capital and reserves would increase by LTL 38 thousand (2008: LTL 223 thousand) as a result of higher net profit for the year and revaluation reserve of available-for-sale securities.

The impact on profit for the year 2009 of a 0.1 per cent (2008: 0.4 per cent) decrease in interest rate applied to all on-balance sheet interest rate sensitive assets and liabilities would be a decrease of LTL 25 thousand (2008: LTL 161 thousand), mainly as a result of lower interest income from interest-bearing assets. LCCU's capital and reserves would decrease by LTL 38 thousand (2008: LTL 223 thousand) as a result of lower net profit for the year and revaluation reserve of available-for-sale securities.

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The table below summarises the impact on profit and capital and reserves of possible changes in LCCU's exposure to market risk as at 31 December 2009 and 2008:

	31 December 2009		31 December 2008	
	Impact on profit	Impact on capital and reserves	Impact on profit	Impact on capital and reserves
0.1 / 0.4 per cent increase in interest rate	25	38	161	223
0.1 / 0.4 per cent decrease in interest rate	(25)	(38)	(161)	(223)

2. Currency risk

Foreign exchange risk means the open position of assets and liabilities denominated in a specific currency. In 2009, LCCU accepted deposits in euros, held balances in euros with the Bank of Lithuania, received 2 subordinated loans and an operating loan in euros, had granted loans in euros, acquired Eurobonds issued by the Lithuanian Government. LCCU has no assets or liabilities denominated in other currencies. There were no changes in exchange rate of the euro against the litas in 2009 and 2008. Considering the fixed exchange rate of the litas and the euro and the intentions to introduce the euro as a national currency of Lithuania in the near future, LCCU's activities are not exposed to any significant currency risk in future. With effect from 2 February 2002, the litas has been pegged against the euro at exchange rate of LTL 3.4528 = EUR 1.

LCCU's open position of foreign currencies as at 31 December 2009 and 2008 is presented in the table below.

	31 December 2009			31 December 2008		
	LTL	EUR	Total	LTL	EUR	Total
Assets						
Cash and balances with central bank	1,585	809	2,394	924	17	941
Investment securities	25,537	30,400	55,937	41,122	-	41,122
Loans and advances to credit institutions	142,561	1,917	144,478	92,567	26	92,593
Tangible fixed assets and intangible assets	2,092	-	2,092	2,297	-	2,297
Other assets	163	23	186	392	-	392
Total assets	171,938	33,149	205,087	137,302	43	137,345
Liabilities, capital and reserves						
Due to credit institutions	148,071	27,909	175,980	110,428	5,407	115,835
Deposits	306	-	306	285	-	285
Liquidity reserve	6,418	-	6,418	5,732	-	5,732
Other liabilities	927	-	927	646	-	645
Subordinated loans	-	5,188	5,188	-	3,094	3,094
Capital and reserves	16,273	(5)	16,268	11,754	-	11,754
Total liabilities, capital and reserves	171,995	33,092	205,087	128,844	8,501	137,345
Net open position	(57)	57	-	8,458	8,458	-

Based on requirements of the Bank of Lithuania, starting from 1 December 2004, EUR currency position is not included when calculating foreign currency open position.

3. Interest rate risk

Cash flow interest rate risk means the risk of fluctuations in future cash flows from financial instruments as a result of changes in market interest rates. Fair value interest rate risk means the risk of fluctuations in future fair values of financial instruments as a result of changes in market interest rates. LCCU manages its exposure to interest rate risk by reviewing its cash flows by maturity terms on a monthly basis and establishing new or leaving old interest rates on loans once in a quarter. With effect from 1 November 2005 to 5 December 2008, all loan agreements with a term longer than 1 year concluded with the purpose of granting a loan to finance working capital provide for a variable interest rate comprising a variable part – 12 months EURIBOR plus LCCU's margin. With effect from 5 December 2008, all loans agreements concluded by LCCU provide for a fixed interest rate entitling LCCU to unilaterally reprice interest rate at least every six months. With effect from 18 April 2008, when determining interest rates for newly granted loans, LCCU takes into account the internal rating of the credit union. Loans to credit unions assigned with an internal ratings ranging from "D+" to "D-" are subject to interest rate that is 0.40 per cent

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(until 21 April 2009: 0.05 per cent) higher than the effective annual interest rate and loans to credit unions with internal ratings ranging from "E+" to "E-" are subject to interest rate that is 0.80 per cent (until 21 April 2009: 0.1 per cent) higher than the effective annual interest rate. All LCCU's liabilities, except for a subordinated loan of EUR 500 thousand (LTL 1,726 thousand) and a subordinated loan of EUR 600 thousand (LTL 2,071 thousand) received from COOPEST SA on 15 June 2008 and on 26 November 2009, respectively (Note 15) and an operating loan of EUR 1,500 thousand (LTL 5,179 thousand) received from CREDIT COOPERATIVE on 8 August 2008 (Note 13), are bearing fixed interest rates.

The table below summarises LCCU's exposure to interest rate risks as at 31 December 2009. LCCU's assets and liabilities categorised by the earlier of contractual repricing or maturity dates are as follows:

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	Non- interest- bearing	Total
Assets								
Cash and balances with central bank	-	-	-	-	-	-	2,394	2,394
Investment in the Lithuanian Government securities	1,881	7,420	8,086	18,109	8,131	12,310	-	55,937
Loans and advances to credit institutions	28,572	65,370	38,686	11,850	-	-	-	144,478
Tangible fixed assets and intangible assets	-	-	-	-	-	-	2,092	2,092
Other assets	-	-	-	-	-	-	186	186
Total assets	30,453	72,790	46,772	29,959	8,131	12,310	4,672	205,087
Liabilities and reserves								
Due to credit institutions	129,604	22,899	12,062	3,480	2,798	2,590	2,547	175,980
Subordinated loans	-	-	3,807	-	-	1,381	-	5,188
Deposits	30	-	-	-	276	-	-	306
Liquidity reserve	6,418	-	-	-	-	-	-	6,418
Other liabilities	-	-	-	-	-	-	927	927
Capital and reserves	-	-	-	-	-	-	16,268	16,268
Total liabilities and reserves	136,052	22,899	15,869	3,480	3,074	3,971	19,742	205,087
Total interest repricing gap	(105,599)	49,891	30,903	26,479	5,057	8,339	(15,070)	-

LCCU's interest rate risk as at 31 December 2008:

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	Non- interest- bearing	Total
Assets	14,054	19,542	30,220	65,324	-	4,575	3,630	137,345
Liabilities and reserves	107,867	4,714	10,300	529	155	1,381	12,399	137,345
Total interest repricing gap	(93,813)	14,828	19,920	64,795	(155)	3,194	(8,769)	-

The table below summarises LCCU's assets and liabilities by type of interest as at 31 December 2009:

	Fixed interest	Variable interest	Non-interest-bearing	Total
Assets				
Cash and balances with central bank	-	-	2,394	2,394
Investment in the Lithuanian Government securities	55,937	-	-	55,937
Loans and advances to credit institutions	88,703	55,775	-	144,478
Tangible fixed assets and intangible assets	-	-	2,092	2,092
Other assets	-	-	186	186
Total assets	144,640	55,775	4,672	205,087
Liabilities and reserves				
Due to credit institutions	170,843	5,137	-	175,980
Subordinated loans	1,392	3,796	-	5,188
Deposits	306	-	-	306
Liquidity reserve	6,418	-	-	6,418
Other liabilities	-	-	927	927
Capital and reserves	-	-	16,268	16,268
Total liabilities and reserves	178,959	8,933	17,195	205,087
Total interest repricing gap	(34,319)	47,064	(12,523)	-

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LCCU's assets and liabilities by type of interest as at 31 December 2008:

	Fixed interest	Variable interest	Non-interest-bearing	Total
Assets	41,122	92,593	3,630	137,345
Liabilities and reserves	118,113	6,833	12,399	137,345
Total interest repricing gap	(76,991)	85,760	(8,769)	-

Capital adequacy

LCCU's main objectives when managing capital are as follows:

- To ensure compliance with and management of prudential ratios;
- To ensure LCCU's ability to continue as a going concern – business stability guarantee;
- To increase LCCU's assets and maximum exposure to a single borrower with the help of a growing capital base of LCCU.

With effect from 2008 the Bank of Lithuania, which is the supervising authority of LCCU, applies capital adequacy calculation guidelines provided in Basel II Accord and the EU directives on banks' capital adequacy system. With effect from 2008 credit, market and operational risks are assessed when calculating capital adequacy. LCCU measures credit risk using a standard risk assessment approach; market risk is assessed using a standard method; operational risk is measured using a basic indicator approach. Compliance with capital adequacy ratio and the use of capital are monitored by LCCU's management on a daily basis and information regarding the compliance with capital adequacy ratio and the use of capital is submitted to the supervising authority quarterly. In 2008, in accordance with the requirements established by the Bank of Lithuania, LCCU launched the Internal Capital Adequacy Assessment Process (ICAAP). These requirements represent additional requirements (tier II) supplementing general (tier I) capital adequacy calculation requirements. Based on the ICAAP a thorough analysis performed by LCCU should include identification of risks, assessment of their management and the related need for internal capital.

LCCU's capital is divided into 2 tiers:

- Tier I capital consists of the share capital, reserve capital and other additional capital and reserves, revaluation reserve of financial assets and retained earnings (deficit) of the previous financial year, less the intangible assets, repayment of shares and current year loss.
- Tier II capital consists of the stabilisation fund, subordinated loans that meet the requirements set by the Bank of Lithuania, audited retained earnings of the current financial year.

Capital adequacy ratios as at 31 December 2009 and 2008 were as follows:

	2009	2008
Tier 1 capital		
Share capital	9,680	7,348
Additional reserve capital	158	158
Reserve capital	749	612
Revaluation reserve of financial assets	66	(848)
Intangible assets	(459)	(1,014)
Total Tier 1 capital	10,194	6,256
Tier 2 capital		
Stabilisation fund	4,660	3,884
Subordinated loan	4,327	2,371
Total Tier 2 capital	8,987	6,255
Total capital base	19,181	12,511
Capital requirements relating to credit risk, impairment risk of amounts receivable	5,458	4,391
Capital requirements relating to position risk, foreign exchange risk	6	846
Capital requirements relating to operational risk	482	343
Total capital requirements	5,946	5,580
Capital adequacy ratio, %	32,26	22,42

On 26 October 2009, LCCU and COOPEST SA signed an agreement on subordinated loan for the amount of EUR 600 thousand (LTL 2,072 thousand) and for the term of 8 years. Based on approval obtained from the Board of the Bank of Lithuania on 26 November 2009, this loan was included in LCCU's Tier 2 capital. The Bank of Lithuania requires that the amount of subordinated loans included in LCCU's Tier 2 capital should be reduced each year by 20 per cent. The calculation of the capital adequacy ratio excludes accumulated interest on subordinated loans. Accumulated interest on the loan of EUR 400 thousand (LTL 1,381 thousand) amounted to LTL 11 thousand as at 31 December 2009 and accumulated interest on the loan of EUR 600 thousand (LTL 2,072 thousand) amounted to LTL 21 thousand as at 31 December 2009. In addition, for the purpose of

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calculation of LCCU's capital adequacy ratio, the EUR 600 thousand (LTL 2,072 thousand) subordinated loan received from COOPEST SA was included in Tier 2 capital net of the loan administration fee which amounted to EUR 6.6 thousand (LTL 22.79 thousand). The loan amount included in Tier 2 capital was EUR 593.4 thousand (LTL 2,049 thousand).

The Bank of Lithuania requires that LCCU's capital adequacy ratio should not be lower than 10 per cent. When calculating capital adequacy ratio in 2009 and 2008, the capital base is divided by the sum of capital requirements and multiplied by 10 per cent.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NET INTEREST INCOME

	2009	2008
Interest income:		
On loans to credit unions	3,978	3,021
On available-for-sale securities	1,644	1,401
On held-to-maturity securities	1,718	302
On balances with credit institutions	1,763	1,051
Total interest income	9,103	5,775
Interest expenses:		
On deposits from credit unions	3,832	2,044
On the liquidity fund of credit unions	110	80
On deposits from legal entities	21	14
On loans from credit institutions	380	312
Total interest expenses	4,343	2,450
Net interest income	4,760	3,325

NOTE 2 NET FEE AND COMMISSION INCOME

	2009	2009
Fee and commission income from credit unions:		
On money transfers	434	461
On operations with payment cards	245	176
On internet banking operations	13	16
On payment collection and administration	20	-
Total fee and commission income	712	653
Fee and commission expenses:		
On operations with payment cards	354	285
On money transfers	130	138
Charged by financial brokerage companies	30	14
Other fee and commission expenses	31	6
On payment collection and administration	20	-
Total fee and commission expenses	565	443
Net fee and commission income	147	210

NOTE 3 OTHER INCOME

	2009	2008
Income from non-financial services rendered to credit unions	508	537
Other income	4	3
Total other income	512	540

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With effect from January 2007, LCCU provides the following non-financial services to the credit unions: development of systems of credit unions, formation of image of credit unions through integrated marketing campaigns, consultation of credit unions on finance management, bookkeeping, legal and computer-related matters, training of credit unions, centralised preparation of contracts, maintenance of computer hardware, etc.

NOTE 4 NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	2009	2008
Realised gain on foreign exchange operations	26	-
Loss on foreign exchange operations	4	-
Net gain on foreign exchange operations	22	-

NOTE 5 OPERATING EXPENSES

	2009	2008
Wages and salaries of employees	1,351	1,252
Social security expenses	413	375
Advertising and marketing expenses	346	300
Transport, postal and communication expenses	236	220
Remuneration based on agreements	164	184
Training of credit unions	111	87
Security and maintenance of premises	96	69
Legal and audit services	87	85
Training of employees and members of managerial bodies	37	108
Payment card costs	35	48
Representation expenses	34	31
Bonuses	31	41
Stationery	20	20
Taxes and insurance	15	8
Internet banking expenses	8	47
Rent	7	11
Other expenses	161	206
Total	3,152	3,092

NOTE 6 INCOME TAX

	2009	2008
Current tax	348	43
Deferred tax	-	(6)
Total income tax expense	348	37

Profit before tax	1,303	642
Income tax at a rate of 20% (2008: 4.5%)	261	29
Income tax on non-deductible expenses	112	17
Income not subject to tax	(25)	(3)
Income tax expense	348	43

Movements on deferred tax assets/(liabilities) account

Opening balance	219	1
Deferred tax (recognised in other comprehensive income) (Note 9)	(224)	212
Income (expense) recognised in profit or loss	-	6
Closing balance	(5)	219

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Deferred tax assets/(liabilities)

	Value of securities	Accrued expenses	Total
At 1 January 2008	-	1	1
Expense (income) recognised in profit or loss	-	6	6
Deferred tax (recognised in other comprehensive income)	212	-	212
At 31 December 2008	212	7	219
Expense (income) recognised in profit or loss	-	-	-
Deferred tax (recognised in other comprehensive income)	(224)	-	(224)
At 31 December 2009	(12)	7	(5)

NOTE 7 CASH AND BALANCES WITH THE CENTRAL BANK

As at 31 December 2009, cash and balances with the central bank represented LCCU's cash on hand in the central bank amounting to LTL 1 thousand (31 December 2008: LTL 3 thousand) and LCCU's correspondent account with the central bank amounting to LTL 2,394 thousand (31 December 2008: LTL 938 thousand). LCCU is not obliged to keep and maintain compulsory reserves with the Bank of Lithuania. No interest is payable on the balance in correspondent account with the Bank of Lithuania.

NOTE 8 LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	2009	2008
Balances in correspondent accounts with the banks	9,870	6,858
Time deposits held with banks	88,703	4,035
Loans to credit unions	45,171	81,700
Loans to credit unions from the Stabilisation Fund	956	-
Impairment losses on loans to credit unions	(222)	-
Total	144,478	92,593

In 2009, the effective interest rates on balances in correspondent accounts with the banks varied from 0 per cent to 2.91 per cent (2008: from 0 per cent to 7.69 per cent), the effective interest rates on loans to credit unions varied from 4.5 per cent to 11.0 per cent (2008: from 4.50 per cent to 8.10 per cent), and the effective interest rates on time deposits with banks varied from 1.6 per cent to 8 per cent (2008: from 7 per cent to 8 per cent).

NOTE 9 INVESTMENT SECURITIES

	2009	2008
Available-for-sale securities	20,466	31,432
Held-to-maturity securities	35,471	9,690
Total	55,937	41,122

Available-for-sale and held-to-maturity securities represent debt securities issued by the Lithuanian Government. The effective interest rates on these securities vary from 3.25 per cent to 10.70 per cent (2008: from 3.1 per cent to 8.85 per cent) and they are fixed. As at 31 December 2009, held-to-maturity debt securities to the value of LTL 11,860 thousand (2008: LTL 5,268 thousand) were pledged to SEB Vilniaus Bankas AB as a security for the credit line of LTL 7,000 thousand (2008: LTL 7,000 thousand) granted by this bank. The pledge expiry date is 15 April 2010. As at 31 December 2009, the credit line was not used (31 December 2008: the credit line was not used). Available-for-sale debt securities were not pledged (2008: available-for-sale debt securities to the value of LTL 2,872 thousand were pledged).

During 2009 and 2008, no reclassifications of financial assets were made by LCCU.

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NOTE 10 TANGIBLE FIXED ASSETS

	Computer hardware	Other equipment	Buildings	Furniture	Cars	Total
At 1 January 2008						
Cost	375	24	972	28	192	1,591
Accumulated depreciation	(216)	(11)	(14)	(2)	(19)	(262)
Net book amount	159	13	958	26	173	1,329
Reporting year 2008						
Opening net book amount	159	13	958	26	173	1,329
Additions	95	29	-	11	-	135
Depreciation charge	(101)	(7)	(36)	(5)	(32)	(181)
Closing net book amount	153	35	922	32	141	1,283
At 31 December 2008						
Cost	470	53	972	39	192	1,726
Accumulated depreciation	(317)	(18)	(50)	(7)	(51)	(443)
Net book amount	153	35	922	32	141	1,283
Reporting year 2009						
Opening net book amount	153	35	922	32	141	1,283
Additions	66	7	464	5	-	542
Depreciation charge	(100)	(12)	(41)	(7)	(32)	(192)
Closing net book amount	119	30	1,345	30	109	1,633
At 31 December 2009						
Cost	536	60	1,436	44	192	2,268
Accumulated depreciation	(417)	(30)	(91)	(14)	(83)	(635)
Net book amount	119	30	1,345	30	109	1,633

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NOTE 11 INTANGIBLE ASSETS

	Prepayments	Computer software	Licences	Total
At 1 January 2008				
Cost	252	266	110	628
Accumulated depreciation	-	(60)	(18)	(78)
Net boom amount	252	206	92	550
Reporting year 2008				
Opening net book amount	252	206	92	550
Additions	-	676	-	676
Amortisation charge	-	(175)	(37)	(212)
Reclassifications	(252)	252	-	-
Closing net book amount	-	959	55	1,014
At 31 December 2008				
Cost	-	1,194	110	1,304
Accumulated depreciation	-	(235)	(55)	(290)
Net book amount	-	959	55	1,014
Reporting year 2009				
Opening net book amount	-	959	55	1,014
Additions	-	155	-	155
Write-offs	-	(297)	-	(594)
Amortisation charge	-	(376)	(37)	(116)
Closing net book amount	-	441	18	459
At 31 December 2009				
Cost	-	755	110	865
Accumulated depreciation	-	(314)	(92)	(406)
Net book amount	-	441	18	459

As at 31 December LCKU is internally developing software i-KUBAS, which is planned to be completed in 2012. During 2009 LCCU capitalised LTL 144 thousand of payroll costs, which were incurred in respect of this software development.

NOTE 12 OTHER ASSETS

	2009	2008
Current assets	81	111
Other receivables	37	32
Deferred expenses	47	25
Deferred tax (Note 6)	-	219
VAT receivable	21	5
Total	186	392

NOTE 13 AMOUNTS DUE TO CREDIT INSTITUTIONS

	2009	2008
Balances of credit unions:		
Time deposits	85,428	15,087
Demand deposits	85,415	95,617
Loans received	5,137	5,131
Total	175,980	115,835

In 2009, interest rates on time deposits from credit unions varied from 2.0 per cent to 10.0 per cent (2008: from 2.5 to 7.0 per cent), and interest rates on demand deposits varied from 1.5 per cent to 1 per cent (2008: interest rates were set at 1.5 per cent). On 30 July 2008, LCCU and CREDIT COOPERATIF signed a loan agreement for the

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term of 8 years. The loan was granted to finance working capital; it was not secured with collateral; interest rate was set at 6 month EURIBOR plus 1.25 per cent margin.

NOTE 14 DEPOSITS

	2009	2008
Demand deposits from legal entities	30	9
Time deposits from legal entities	276	276
Total	306	285

Demand deposits from the Association of the Lithuanian Credit Unions amounted to LTL 25 thousand (2008: LTL 8 thousand).

In 2009, interest rates on time deposits from legal entities varied from 2.0 per cent to 10.0 per cent (2008: from 2.5 to 7.0 per cent), and interest rates on demand deposits varied from 1 per cent to 1.5 per cent (2008: interest rates were set at 1.5 per cent).

NOTE 15 SUBORDINATED LOANS

	Interest rate (%)	2009	2008
EUR 400 thousand / LTL 1,381 thousand, with fixed interest rate, to be repaid in 2012	6.3	1,392	1,392
EUR 500 thousand / LTL 1,726 thousand, with variable interest rate, to be repaid in 2016		1,726	1,702
EUR 600 thousand / LTL 2,071 thousand, with variable interest rate, to be repaid in 2017	6 month EURIBOR+3.5; fluctuations are hedged with the interest collar ranging from 2.5 to 3.5 per cent	2,070	-
Total		5,188	3,094

On 26 October 2009, LCCU and COOPEST SA signed an agreement on subordinated loan for the term of 8 years. Based on approval obtained from the Board of the Bank of Lithuania on 26 November 2009, this loan was included in LCCU's Tier 2 capital. The subordinated loans has to be repaid as one-off payment at the end of repayment term. The loans have not been secured with any collateral. Based on the provisions of the loan agreements, in case of bankruptcy or liquidation of LCCU, the lender's claims will be satisfied only after discharging the liabilities to all other creditors.

NOTE 16 LIQUIDITY RESERVE

	2009	2008
Liquidity reserve at beginning of the year	5,732	5,329
Increase over the year	686	403
Liquidity reserve at the end of the year	6,418	5,732

LCCU liquidity reserve is a reserve prescribed by the Law on LCCU, which is established to maintain the liquidity of LCCU members by the way of granting liquidity loans to the credit unions. Liquidity reserve comprises balances, which credit unions LCCU members are obliged to maintain in a special purpose account opened with LCCU. The amount of such balances equals to the percentage preset by the general meeting of LCCU members in 2009 : 1% (2008: 1 per cent) of the credit union's total time deposits and demand deposits in the litas and foreign currencies. Annual interest rate of 2.5 per cent (2008: 1.5 per cent) is paid on the balances maintained by the credit unions in the liquidity reserve.

At the end of each quarter, the amount of balance maintained by the credit union in the liquidity reserve is reviewed. These balances are recalculated by LCCU, which sends a written notice to each credit union. In case no objection is received from the credit union in respect of the amount specified in a written notice, LCCU by indisputable manner debits the funds of the credit union's current account with LCCU or transfers credit union's funds to LCCU's current account.

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Loans to maintain the liquidity of credit unions may be granted when the liquidity of a credit union becomes lower than the required liquidity rate and when the structure of assets and liabilities of a credit union for the future months demonstrates a certain imbalance, which could adversely affect the fulfilment of the obligations.

The balances with LCCU's liquidity reserve of a credit union, which is cancelling its membership, or which is under liquidation or whose membership is terminated, are repaid to the credit union.

NOTE 17 OTHER LIABILITIES

	2009	2008
Accrued vacation reserve	186	153
Deferred income (subsidies)	215	354
Other liabilities	169	117
Collected bills payable	183	-
Deferred tax liabilities (Note 6)	5	-
Total	758	624

Collected bills payable comprise amounts collected from credit unions payable to suppliers of utility and other services. LCCU started the collection of these payments from 2009. Deferred income (subsidies) comprises a subsidy granted by the Open Society Fund Lithuania for the acquisition of computer systems. The subsidy is used over the useful lives of computer systems and programmes. Amortisation expenses of intangible assets incurred in the reporting period are reduced by the subsidy's amortisation charge for 2009 amounting to LTL 139 thousand (2008: LTL 46 thousand).

NOTE 18 CAPITAL AND RESERVES

Primary and additional shares

The share capital of LCCU amounts to LTL 9,680 thousand (2008: LTL 7,348 thousand). It consists of primary and additional shares. Nominal value per share is LTL 1 thousand. All the shares of LCCU have been paid.

Each member of LCCU holding a primary share has 1 vote irrespective of the amount of additional shares paid in by that member. Upon termination of credit union's membership with LCCU, the credit union will be refunded the amounts of primary and additional shares that were previously bought out.

Distributing 2008 net profit LCCU allocated and paid LTL 308 thousand of dividends to its members. Payment per one share was 0.042 LTL. Distributing 2008 net profit LCCU allocated and paid to its member LTL 482 thousand, which consist of LTL 241 thousand dividends and LTL 241 thousand payments from members turnover in 2007. Payment per one share was 0.09 LTL.

Additional reserve capital

Additional reserve capital of LCCU comprises profit for 2003 and 2002 transferred to the additional reserve capital in accordance with the decision of the general meeting of members. The purpose of the additional reserve capital is to ensure financial stability of LCCU. The additional reserve capital is formed from LCCU's additional contributions and/or transfers from LCCU's profit. The additional reserve capital is not refundable to credit unions. Based on the decision of the general meeting of members, the additional reserve capital may be used only to cover operating losses of LCCU.

Reserve capital

The reserve capital is formed from the profit of LCCU. Reserve capital is classified as LCCU's reserves. It consists of amounts transferred to the reserve capital in accordance with the decision of the general meeting of members. Transfers to the reserve capital are compulsory and shall not be less than 20 per cent of LCCU's net profit until the reserve capital reaches 1/5 of LCCU's own capital. The reserve capital is not refundable to credit unions. Based on the decision of the general meeting of members, the reserve capital may be used only to cover operating losses of LCCU.

Stabilisation fund

The stabilisation fund of LCCU is a fund established under the Law on LCCU required to ensure the stability and continuity of the activities of credit unions members of LCCU. Stabilisation fund functions as a last resort borrowing source to recover the impaired solvency of the credit unions. Contributions to the stabilisation fund

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are made by the credit unions. The percentage of compulsory annual transfers to be made by credit unions to the stabilisation fund is determined by the general meeting of members. In 2009, contributions to the stabilisation fund transferred by credit unions represented 0.20 per cent of a credit union's assets (0.10 in 2008).

Based on the decision of the general meeting of members, the amount of LTL 79 thousand was transferred to the stabilisation fund upon appropriation of profit upon appropriation of profit for 2007, and the amount of LTL 154 thousand – upon appropriation of profit for 2008. The loans to ensure the stability and continuity of credit unions' activities may be granted, when the capital adequacy ratio of a credit union becomes lower than that required by the Bank of Lithuania or constantly decreases and in the nearest future it can become lower than that required by the Bank of Lithuania. The contributions to the stabilisation fund are not refundable to the credit unions. In 2009, subordinated loans totalling to LTL 955 thousand (2008: no loans granted) were granted to 5 credit unions using the recourses of the stabilisation fund.

NOTE 19 RELATED PARTIES

Related parties of LCCU are considered to be credit unions – members of LCCU, the Association of the Lithuanian Credit Unions, the Lithuanian Government, LCCU's Board, Supervisory Council, Stabilisation Fund Commission, and LCCU's management. Association of the Lithuanian Credit Union is treated as related party since its owners, managerial bodies and management are the same as those of LCCU.

In 2009, management (2 chief officers) compensation amounted to LTL 301 thousand (2008: LTL 326 thousand for 2 chief officers):

	2009	2008
Salaries and related social security contributions calculated	301	326
Vacation reserve and related social security contributions calculated	72	66
Total	373	392
Salaries and social security contributions paid	301	326
Outstanding balance of liabilities to management	72	66

The details of related-party transactions are given in the following notes to these financial statements:

Note 1 – details of interest on loans granted, securities, deposits accepted and liquidity reserve placed;

Note 2 – details of commission income;

Note 3 – details of other income;

Note 8 – details of loans granted;

Note 9 – details of investment securities;

Notes 13 and 14 – details of deposits accepted;

Note 16 – details of contributions into the liquidity reserve;

Note 18 – details of share capital and reserves, and transfers to the stabilisation fund.

LCCU grants loans to and accepts deposits from related parties on an arm's length basis.

Loans granted to/repaid by related parties and deposits accepted from/repaid to related parties:

	2009	2008
Loans granted to related parties – credit unions	(152,290)	(253,899)
Loans repaid by related parties – credit unions	187,856	221,540
Time deposits accepted from related parties – credit unions	312,046	65,695
Time deposits repaid to related parties – credit unions	(242,184)	(74,516)
Demand deposits accepted from related parties – credit unions	1,518,552	1,293,964
Demand deposits repaid to related parties – credit unions	(1,508,351)	(1,299,498)
Contributions to liquidity reserve accepted from related parties – credit unions	1,006	1,404
Contributions from liquidity reserve repaid to related parties – credit unions	(431)	(1,081)
Demand deposits accepted from related parties – non-credit unions	628	521
Demand deposits repaid to related parties – non-credit unions	(611)	(543)

(All tabular amounts are in LTL thousand, unless otherwise stated)

NOTE 20 COMPLIANCE WITH LAWS

In accordance with the requirements of the Bank of Lithuania, LCCU should comply with the ratios set for its capital adequacy, liquidity, maximum exposure amount to a single borrower, and open foreign currency position. As at 31 December 2009 and 2008, LCCU complied with all mandatory requirements.

NOTE 21 OFF-BALANCE SHEET COMMITMENTS

The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out the inspection of book-keeping and accounting records and impose additional taxes or fines. LCCU's management is not aware of any circumstances that might result in a potential material liability in this respect.