

**Multilateral Cooperation and Coordination Agreement
on the Supervision of AB bankas „SNORAS“ Group**

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1. Introduction

1. In accordance with Art. 131 of Directive 2006/48/EC (the Banking Directive, forming a part of the "Capital Requirements Directive" or "CRD"), this Multilateral Cooperation and Coordination Agreement ("the Agreement") between the competent authority responsible for supervision on a consolidated basis (hereafter referred to as the "Home authority") and the other competent authorities (hereafter jointly and severally referred to as the "Host authorities") is intended to facilitate the effective supervision of the AB bankas „SNORAS" Group, including the provision of operational details.

2. For the purpose of this Agreement, "Colleges" of supervisors are permanent, although flexible, structures for cooperation and coordination among the authorities responsible for and involved in the supervision of the different components of cross-border banking groups. Colleges provide a framework for the consolidating authorities and the other competent authorities to carry out the tasks established in the CRD.

3. This Agreement involves all the banking supervisory authorities included in the 'general multilateral college' of the AB bankas „SNORAS" Group; according to the CRD supervisory authorities of significant branches may participate in the college. When forming the college and whenever relevant thereafter, the Home and the Host authorities communicate to each other their assessment of each entity to be considered as significant and take into account each other's assessments. In case of disagreement the Host authority decides whether a branch is significant. The consolidating supervisor shall chair the meetings of the college and decide which competent authorities participate in a meeting or in an activity of the college. In accordance with the CRD, this Agreement should involve all the competent authorities of a specific cross-border group. By invitation of the Home authority, non-EEA supervisory authorities can be part of this Agreement where appropriate and subject to confidentiality requirements that are equivalent, in the opinion of all the competent authorities, to those established in the CRD.

4. In consideration of the fact that entities in cross-border groups can be spread across several countries (both EA and non-EEA), and include significant branches, for practical reasons the principles of this Agreement may be applied in a proportionate fashion differently when involving the core or general college.

5. In accordance with Art. 129(1), 130(1), 131 and 131(a) of the CRD, this Agreement lays out the basis for the cooperation between the competent authorities and the practical organization of the supervisory activities on the AB bankas „SNORAS" Group in going-concern as well as in emergency situations. These activities include, but are not necessarily limited to, the role of the college of supervisors, the role and responsibilities of the competent authorities, information exchange among supervisors, communication with the AB bankas „SNORAS" Group, sharing and delegation of tasks, Basel 2 validation procedures concerning internal models for credit, market and operational risks, Supervisory Review and Evaluation Process (SREP), and crisis management.

6. Since several EU cross-border banking groups are also financial conglomerates according to EU legislation (Financial Conglomerates Directive, FCD), this Agreement can be integrated with provisions encompassing cooperation and coordination procedures for conglomerates, involving the relevant non-banking supervisory authorities. This Agreement should also be coordinated with cooperation agreements resulting from the implementation of the European Directive on markets and financial instruments.

7. This Agreement is consistent with and complements the CEBS documents on the functioning of colleges of supervisors.

8. This Agreement replaces or supplements other agreements, signed between competent supervisory authorities, regarding cooperation with respect to the banking and/or investment and/or insurance activities of the AB bankas „SNORAS“ Group.

9. This Agreement will operate along with the Memoranda of Understanding of 2003 and 2008 on Crisis management.

2. Objectives and principles of Cooperation

10. The following principles apply to this Agreement:

- the Agreement is consistent with the CRD and other relevant European legislation, with the applicable national laws and regulations of the authorities involved, as well as with the applicable principles issued by the Basel Committee and CEBS Guidelines;
- cooperation among the authorities takes place mainly through the college, whose organisation reflects the activities and the legal structure of the AB bankas „SNORAS“ Group; bilateral cooperation takes place between authorities in the college for matters of relevance to the respective authorities;
- while the college does not have decision making powers, it plays a role in the coordination of supervisory activities and enhancement of supervisory cooperation;
- the principle of proportionality is applied where appropriate.

11. The objectives of the Agreement are the following:

- to facilitate the exchange of information, views and assessments among supervisors in order to allow for more efficient and effective consolidated and solo supervision (including the avoidance of duplication of tasks) and timely action in going concern and emergency situations;
- to enable supervisors to develop a common understanding of the risk profile of the AB bankas „SNORAS“ Banking Group as the starting point for risk-based supervision at both group and solo levels;
- to achieve coordination of supervisory review and risk assessment, establish supervisory plans for the mitigation of risks, arrange any division of tasks and joint on-site supervisory visits;
- to coordinate major decisions taken by individual authorities as far as possible and practicable and to strive to reach consensus where appropriate.

12. The authorities support each other in exercising their supervisory tasks.

3. Description of AB bankas „SNORAS“ Group and identification of Competent Authorities

3.1 Description and structure of AB bankas „SNORAS“ Banking Group

13. AB bankas „SNORAS“ Group is a parent credit institution in Lithuania, which has a subsidiary in Latvia and a branch in Estonia.

14. Bank of Lithuania is responsible for the coordination of the gathering and dissemination between the competent authorities of information regarding material changes in the AB bankas „SNORAS“ Group's structure and main business activities.

3.2 Identification of Competent authorities

15. This Agreement takes effect between the following authorities (hereafter jointly and separately referred to as "the Authorities")¹:

- Bank of Lithuania, as Home authority, responsible for the exercise of supervision on a consolidated basis of AB bankas „SNORAS“ Group);
- The following Host authorities:
 - Finansu un Kapitāla Tirgus Komisija (Latvia);
 - Finantsinspeksioon (Estonia).

16. The Authorities will nominate contact persons (Contact Persons) who represent them in the activities covered by the present Agreement.

4. Confidentiality

17. Further to the professional secrecy requirements resulting from EU or national laws and regulations or from any other legal obligations, the Authorities confirm that any confidential information shared between them shall be used only for lawful supervisory purposes of the AB bankas „SNORAS“ Group. The transmission of information exchanges between supervisors will take into account national laws and regulations concerning bank secrecy and existing bilateral or multilateral MoUs.

18. The Authorities shall endeavour, to the extent permitted by law, to maintain the confidentiality of all information and shall not disclose information to third parties without first obtaining the prior consent of the Authority concerned.

¹ The definition of "competent authorities" is without prejudice to the institutional setting at national level.

19. The Authorities shall endeavour that all persons dealing with, or having access to such information are bound by the obligation of professional secrecy.

20. The Authorities of the core non-EEA jurisdictions can be party to confidential information sharing provided that they have legislative provisions on the confidentiality of information which are equivalent to those in the relevant EU legislation.

21. The Authorities obligations to maintain the confidentiality of all information and not disclose information to third parties under the Agreement shall survive the termination of the Agreement.

5. Responsibilities of Competent authorities

22. The Bank of Lithuania takes the lead in coordinating all the activities covered by the present Agreement. This Authority chairs the college of supervisors decides which competent authorities participate in a meeting or in an activity of the college, and coordinates the meetings as well as the activities of the college of supervisors. The Bank of Lithuania keeps all members of the college fully informed, in advance, of the college meeting, the main issues to be discussed and the activities to be considered. The Bank of Lithuania also keeps all the members of the college fully informed, in a timely manner, of the actions taken in those meetings or the measures carried out.

23. Each competent Authority takes into account the exercise of the other competent Authorities' supervisory tasks and the objective of achieving effective and efficient supervision of the AB bankas „SNORAS" Group on a consolidated basis and of its entities on a sub-consolidated/ solo basis. Competent Authorities undertake to share and delegate tasks, and conduct joint examinations as detailed in art. 6.3 and 6.4 below.

6. Cooperation in on-going supervision

6.1 The College of supervisors

24. The College of supervisors facilitates the exercise of the tasks referred to in articles 129 and 130 of the CRD. The college shall provide a framework for the concerned competent authorities to carry out the tasks mentioned in art. 131a of the CRD.

25. The organisation of the College reflects the activities and the legal structure of the AB bankas „SNORAS" Banking Group and the risks to which it is or might be exposed.

26. The functioning of the College is normally organised in two levels, according to the activities to be carried out:

- a general multilateral level – involving all the competent Authorities – is normally used to share information on group-wide issues, for the general discussion of the overall supervisory policy and planning, or for projects, with their frequency and form (i.e. meeting, conference call) to be determined on a case by case basis, but normally on an annual basis;

- a core multilateral level – involving a limited number of Authorities (Bank of Lithuania and Finansu un Kapitāla Tirgus Komisija) involved in the supervision of the main activities of the AB bankas „SNORAS” Group – for a more focussed approach to cooperation.

Bilateral relationships, in addition to being the starting point in any cooperation approach, are used as a form of continuous dialogue between supervisory authorities.

27. The College is the first place in which to strive for agreement among the Authorities in case of divergent views regarding the application of EU legislation and CEBS Guidelines to a matter related to the supervision of the group in a cross-border context. Within the College, the Authorities review whenever necessary the arrangements, strategies, processes and mechanisms implemented by the AB bankas „SNORAS” Group to comply with relevant laws and regulations and evaluate the major risks to which the AB bankas „SNORAS” Group is or might be exposed on a solo and on a consolidated basis. Should the authorities in a College not reach an agreement, as foreseen by the CRD, the matter may be referred for mediation to the Committee of European Banking Supervisors, as described in the Protocol of the CEBS Mediation Mechanism.

6.2 Information exchange among authorities

28. The Authorities exchange relevant information to ensure effective and efficient supervision of the AB bankas „SNORAS” Group on a consolidated basis and of its entities on a solo or sub-consolidated basis. Information exchange is consistent with the requirements of art. 132 of the CRD and other relevant legislation.

29. Information is exchanged actively between competent Authorities (a balanced two-way process), and the information exchanged will reflect the needs of the Authorities involved. The exchange of information also aims at avoiding duplication of tasks and of requests to different entities of the AB bankas „SNORAS” Group.

30. Bank of Lithuania serves as the central hub for the gathering and dissemination of information.

31. The practical means of information exchanges are decided on the basis of a flexible framework and on a case-by-case basis. For the exchange of highly sensitive information the Authorities are committed to using secure channels.

6.3 Sharing and delegation of tasks

32. Supervisors can share and delegate tasks to each other to the extent of and under the terms and conditions agreed upon. A clear division of tasks among supervisors may be agreed within the College. Each supervisor performs the tasks for which it might be best placed. Supervisors may also agree on principles which define the manner of the fulfilment of the delegated tasks.

33. Delegation and/or sharing of tasks are discussed at the same time of the planning of supervisory activities in the College or at any other time at the request of any of the Authorities to be involved in the agreement. Bank of Lithuania, if not involved in the delegation arrangement, is adequately informed.

34. In principle, the delegation is outcome oriented, instead of process oriented, and the laws and regulations of the delegate Bank of Lithuania apply to the process of carrying out the task while the result is assessed and used by the delegating authority under its law.

35. Bank of Lithuania should, in general, inform the College of the tasks which have been delegated and agree with the delegating and the delegate authorities on how to inform the College of the results of the work.

36. Bank of Lithuania and the delegating authority will communicate, respectively, with the AB bankas „SNORAS“ Group and the relevant unit of the AB bankas „SNORAS“ Group, unless agreed otherwise between Bank of Lithuania and the delegating and delegate authorities.

6.4 On-site examinations

37. The Authorities agree that their co-operation is particularly useful in the field of on-site inspections. Risk assessment of the parent company of AB bankas „SNORAS“ Group or of any entity in the AB bankas „SNORAS“ Group may also be carried out in the form of a joint on-site examination.

38. The Authorities make efforts to have a co-ordinated inspection programme regarding the AB bankas „SNORAS“ Group and its main legal entities, in order to have a clear, group-wide picture of its position and operations and to avoid duplication. For this purpose, within the College or on a bilateral basis the host authorities inform Bank of Lithuania about the planned on-site examinations at national level in order to facilitate the role of co-ordination stated in next paragraph. For its part, Bank of Lithuania informs host supervisors about the projected on-site examinations which may have a bearing on issues relevant to the supervision of the subsidiaries. The information exchanges above are without prejudice to the inspection programs being the sole responsibility of the corresponding competent authority.

39. The coordination of inspection programs is the responsibility of Bank of Lithuania.

40. Joint on-site examinations are conducted according to the following principles:

- Bank of Lithuania may participate in an examination carried out by any of the Host authorities, provided this is permitted by national laws;
- competent Host authorities may in agreement with the Home supervisor participate in examinations of the parent company for matters that are of interest for the supervision of the local subsidiary or branch, provided this is permitted by national laws;
- any request for joint on-site examinations is agreed upon case-by-case by the relevant supervisors;

41. Findings of common relevance are discussed between the relevant Authorities. The College is informed of relevant developments at its next meeting at the latest, and sooner if necessary. This information may include the purpose of the joint on-site examination, its main findings and supervisory decisions and any corrective measures taken.

6.5 Communication with the AB bankas „SNORAS“ Group

42. An active dialogue between the Authorities and the AB bankas „SNORAS“ Group and its subsidiaries/branches will be established. The College agrees on the information to be communicated to the entire Group for matters involving various supervisors. The arrangements undertaken among Authorities for the supervision of the AB bankas „SNORAS“ Group (e.g., the general modalities of organization of supervision, etc.), such as those encompassed in this Agreement, are communicated to the Group in a form agreed upon by the College.

43. Bank of Lithuania is responsible for communication with the AB bankas „SNORAS“ Group, including the main findings of the supervisory review at a group level and any agreed views. Conveyance of this information may involve a multilateral meeting between the consolidating and host supervisors and the senior management of the firm.

44. The other Authorities are responsible for communication with the entities on which they carry out supervisory activities. In particular, they should communicate the measures to be applied at solo and sub-consolidated level.

45. Based on a common decision, AB bankas „SNORAS“ Group may be invited to attend the College meetings to present its position regarding the issues under consideration.

6.6 Internal model validation process

46. The Authorities will work together, in full consultation, to determine whether to grant, alter or withdraw permission to/from the AB bankas „SNORAS“ Group to use internal models for credit, market and operational risks for regulatory purposes. Bank of Lithuania is responsible for the coordination of all the activities related to the validation of internal models: a) validation process, b) exchange of information among supervisors and communication to the AB bankas „SNORAS“ Group, c) decision, and d) on-going review. An illustration of

the interaction among the authorities in the above-mentioned phases is set out in **Annex I**.

6.7 SREP process

47. In accordance with art. 129.3, the authorities undertake to cooperate in the conduct of the Supervisory Review and Evaluation Process at both consolidated and solo/sub-consolidated levels, in particular as regards the application of art. 123, 124 and 136 of the CRD. Bank of Lithuania is responsible for coordinating and synchronising, as far as possible and practicable, the SREP across the AB bankas „SNORAS“ Group. An illustration of the cooperation process and respective undertakings of the authorities is contained in **Annex II**.

7. Cooperation in crisis situations

7.1 General aspects of cooperation in crisis situations

48. Competent Authorities are responsible for assessing whether a crisis situation is affecting the institution under their supervision.

49. Competent Authorities participating in the college shall cooperate closely in a crisis situation, in order to facilitate the actions and the timely decision making process of the authorities responsible for the management and resolution of the crisis.

50. Competent Authorities will cooperate closely, whenever necessary and according to their national law, with other relevant Authorities (central banks and/or finance ministries possibly within the framework of a Cross Border Stability Groups, if they exist) involved in the crisis management process.

51. The Bank of Lithuania will coordinate crisis management activities, encouraging the exchange of information and seeking to achieve consistency in the decision-making process. The views and assessments of the authorities responsible for the supervision of the banking systems likely to be most affected by the crisis should be adequately taken into account by the Bank of Lithuania.

7.2 Information sharing

52. During the regular supervision and review process of the AB bankas „SNORAS“ Group, the competent Authorities take into account the main possible sources of vulnerabilities.

53. In the case of a crisis, the competent Authorities in the College will update and share their respective crisis assessments and all essential and relevant pieces of information.

54. In the case of a crisis affecting the stability of the financial system of any of the countries where the AB bankas „SNORAS“ Group has subsidiaries or significant branches, the competent Authorities will involve in the crisis

management process the relevant central banks and/or finance ministries if relevant.

5. In the exchange of information, competent Authorities should balance between timeliness and proportionality.

7.3 Crisis management preparatory arrangements during normal times

56. For the purpose of smooth information sharing in emergency situations, the competent Authorities will have at their disposal an analytical set of basic data to be exchanged if necessary.

57. In order to strengthen their preparation to deal with an emergency situation, during normal times competent Authorities in cooperation with other relevant Authorities, will: a) check the capacity of the banking group to provide the pieces of information needed in a crisis in a timely manner; b) define internal contingency plans; c) devise the infrastructure for cross-border information exchange; d) develop cooperation procedures with other relevant Authorities; e) identify the persons to be placed in a contact list for emergencies; conduct simulation exercises when needed.

7.4 Communication between competent authorities and to other relevant authorities in emergency situations

58. Where an emergency situation arises at a subsidiary of AB bankas „SNORAS“ Group which potentially jeopardises the safety and soundness of the subsidiary or AB bankas „SNORAS“ Group, the host authority, responsible for the supervision of the subsidiary, shall alert as soon as practicable the Bank of Lithuania.

59. Where an emergency situation arises within AB bankas „SNORAS“ Group which potentially jeopardises the safety and soundness of a subsidiary in any of the Member States, the Bank of Lithuania shall alert as soon as practicable the authorities responsible for the exercise of supervision for that subsidiary.

60. Where an emergency situation arises within AB bankas „SNORAS“ Group which is present via its branch structure in other countries and which can have an impact on the stability of the financial system there, the Bank of Lithuania shall alert as soon as practicable the supervisory authorities in those other countries.

61. Where the emergency situation potentially affects the stability of the financial system in any of the Member States where entities of AB bankas „SNORAS“ Group have been authorised, the competent Authorities, where appropriate, shall inform as soon as practicable other relevant Authorities.

7.5 Communication to the public

62. The competent Authorities will endeavour to coordinate their external communication of crisis-related information and to set-up internal procedures for communication.

8. Final provisions

63. The Bank of Lithuania and any other Authority signing the Agreement commit to apply its provisions until any of them communicates in writing, 3 months in advance, its wish to discontinue it.

64. The Authorities shall revise and update the Annexes to this Agreement when necessary to appropriately reflect major changes in the overall structure of AB bankas „SNORAS“ Group and the risks undertaken, or changes in their cooperation procedures.

65. The Agreement is drafted in English. Where necessary, each Authority is responsible for translation into its own language.

66. It is recommended to publish this Agreement on the respective Authorities' websites and on the CEBS' website.

Annex I – Internal model validation process

1. This annex illustrates the cooperation among the authorities in the various phases of the process of internal model validation (validation; exchange of information; decision). Bank of Lithuania is responsible for the coordination of the activities related to the validation of internal models.

a) Validation

2. The Authorities, in accordance with Art. 129(2) of the CRD, will agree on the following topics:

(a) timetable;

(b) division of tasks;

(c) supervisory criteria and tools;

(d) completeness of the application package considering both home and host supervisors requirements;

(e) administrative proceedings.

3. The College procedures apply in both pre-validation, validation and post-validation phases.

4. A clear division of tasks among supervisors is normally agreed within the College, or among subsets of authorities where appropriate, during the pre-validation phase. Each supervisor performs the tasks for which it is best placed.

5. A clear, detailed and agreed timetable for the supervisory activities related to the Basel II validation process concerning internal models is prepared, involving all the Authorities in order to achieve an efficient allocation of resources. The timetable covers the pre-approval, the approval and, if necessary, the post-approval phases (for example, in cases of authorisation with conditions).

6. The Authorities agree that the pre-application phase is a useful period in which to gain a picture of the methods and procedures planned to be applied by the AB bankas „SNORAS“ Group, to assess the preparedness of the Group, to identify controversial issues between the Authorities and/or between the Authorities and the AB BANKAS „SNORAS“ Group, and to strive to reach a common understanding – or convergence, as the case may be – on these issues. In order to achieve this result, the Authorities work together in full consultation from the beginning of the pre-validation process.

7. The responsibilities of supervisors follow the responsibilities they have over legal entities belonging to the AB bankas „SNORAS“ Group.

8. In the case of centrally developed models that are applied across the banking group (group-wide models), Bank of Lithuania leads the work and host supervisors can join the work if agreed; in case of models developed and/or managed by a single legal entity – other than the parent institution – that are applied across the AB bankas „SNORAS“ Group, Bank of Lithuania and the other relevant Authorities carry out the work jointly.

9. The approval work of locally developed and applied models is led by the supervisory authority of the entity of the AB bankas „SNORAS“ Group that developed and apply these models. Depending on specific circumstances, such as the materiality of the Group's operations covered by local methods, either Bank of Lithuania may ask to actively participate in the approval work led by the host supervisor or the other Authorities may ask Bank of Lithuania to take part in the approval process. The legally responsible host supervisor leads the approval work; the main issues to be verified are: testing of models on local portfolios, use test, experience test, integration of methods in the processes of the Group, support by the Group's IT infrastructure, control environment, understanding and expertise on the central models to be applied locally among the subsidiaries' staff members and management.

10. The Authorities agree on supervisory criteria and tools to be used in the assessment of the models. These will include a set of minimum requirements to be verified as well as a common set of criteria and principles to assess them. For the local implementation of group-wide models, the Authorities – under the coordination of Bank of Lithuania – agree on a set of such guidelines or criteria, in order to have a common framework for the supervisory assessment throughout the AB bankas „SNORAS“ Group.

11. All supervisory tools and procedures provided in national jurisdictions can be used for validation purposes, including on-site supervisory visits.

12. The minimum application package is widely consulted on within the College in all its details, including practical issues surrounding the assessment of its completeness.

13. Where necessary, Bank of Lithuania's application package is integrated with the questions/requirements of the host supervisors involved in the joint decision. The documents are written in the language agreed by supervisors.

14. The Authorities also agree on the administrative proceedings of the authorisation process: the formal representation of the final decision, its communication to the AB BANKAS „SNORAS“ Group, and the arrangements for agreement by all the Authorities involved.

b) Exchange of information among supervisors and communication to the AB bankas „SNORAS“ Group

15. As far as model validation is concerned, Bank of Lithuania triggers the initial communication. The other Authorities are fully involved from the beginning of the first contacts between Bank of Lithuania and the AB bankas „SNORAS“ Group.

16. Core information is shared within the College or among the supervisors involved. All the Authorities within the College agree on a list of core information.

17. Host supervisors which are not involved in the first close cooperation process (e.g., supervisors of subsidiaries included in the 'roll-out' plan of model validation) are extensively involved in the process of information exchange. These supervisors are invited to multilateral meetings and provided with written documentation before their direct involvement.

18. The College reports back to the Group the findings of the supervisory assessment, whenever it is deemed necessary.

c) *Decision*

19. The Authorities shall do everything within their power to reach a joint decision on the application within six months. This joint decision is set out in a document containing the fully reasoned decision which shall be provided to the applicant by Bank of Lithuania.

20. Before the end of the six months period, the host supervisors involved express their view formally to Bank of Lithuania. If the models are considered to be qualified for approval Bank of Lithuania will then issue permission to the parent company taking into account the observations of the other Authorities and the possible conditions which might be attached to the decision.

21. In the absence of a joint decision between the Authorities within six months, Bank of Lithuania makes its own decision on the application.

22. The decision is set out in a document containing the fully reasoned decision and shall take into account the views and reservations of the other competent Authorities expressed during the six months period. The decision is recognised as determinative and will be applied by the competent Authorities in the Member States concerned.

Annex II Supervisory Review and Evaluation Process (SREP)

1. This annex illustrates the cooperation process and respective undertakings of the competent authorities in the coordination of the SREP across the group.

2. Bank of Lithuania is responsible for coordinating and synchronising, as far as possible and practicable, the SREP across the AB bankas „SNORAS“ Group. This responsibility includes coordinating the following activities:

- development of efficient and effective co-operative arrangements;
- risk identification and assessment;
- planning of supervisory actions;
- performance of tasks;
- timing of ICAAP submissions;
- follow-up actions towards the AB bankas „SNORAS“ Group and its legal entities;
- monitoring the progress on achieving the agreed objectives.

3. In accordance with art. 129(3) of the CRD, the competent authorities shall do everything within their power to reach a joint decision on the application of artt. 123, 124 and 136 on the adequacy of own funds at both consolidated, sub-consolidated and individual level. In case of disagreement, Bank of Lithuania shall at the request of any of the other host Authorities concerned, consult the Committee of European Banking Supervisors. Bank of Lithuania may consult the Committee of European Banking Supervisors on its own initiative. In the absence of such a joint decision within six months, the decisions shall be separately taken by the Bank of Lithuania and by the host Authorities according to their rights and responsibilities, after duly considering,

in the case of the Bank of Lithuania, the risk assessment of subsidiaries performed by the Authorities and, in the case of the host Authorities, the views and reservations expressed by Bank of Lithuania. Where the Committee of European Banking Supervisors has been consulted, all the authorities shall consider such advice and explain their decision with full reasoning.

4. The authorities acknowledge that the ICAAP belongs to the institution; therefore the activities carried out are not aimed at prescribing a certain ICAAP methodology.

5. The SREP takes into consideration the internal organisation of the AB bankas „SNORAS“ Group, such as the degree of cross-border integration of business lines or support and control functions. It also takes into account the systemic importance of the entities of the supervised group for the local market.

6. The Authorities cooperate within the College on the ICAAP review. In particular, they should endeavour to ensure that information requests to central and local levels of the AB bankas „SNORAS“ Group are as synchronised and integrated as possible and that information is made available to all the Authorities involved. Within their cooperation, the Authorities shall strive to reach agreement on common or similar reference dates for requests to the AB bankas „SNORAS“ Group for the submission of an ICAAP at single entity and consolidated level, in order to ensure the comparability and consistency of ICAAP information and reduce the supervisory burden.

7. An overall SREP including a risk assessment (generally updated on an annual basis) serves as the basis for the planning of supervisory action at the consolidated level. All competent Authorities shall contribute to the SREP under the coordination of Bank of Lithuania.

8. At consolidated level, the dialogue on the ICAAP and the presentation of the conclusions of the SREP for the AB bankas „SNORAS“ Group are taken care of by Bank of Lithuania, possibly with the participation of other competent Authorities.

9. At local level, host authorities are responsible for the SREP of the local ICAAP. Each authority's review and evaluation of the fulfilment of ICAAP requirements feeds into the overall SREP process. In performing the SREP at local level, the host supervisors should take into account the characteristics of the framework under which the SREP at group level has been developed. The supervisory activities at local level are taken into consideration in the supervisory plan at consolidated level.

10. The Authorities shall cooperate with one another with the intention of ensuring a common understanding of overall Pillar 2 issues, on a group-wide and solo basis, and a coherent follow-up to the outcome of the SREP assessment. In particular, within the college the Authorities will discuss the AB bankas „SNORAS“ Group's approach to the various aspects of Pillar 2, such as concentration, liquidity and interest rate risks, economic capital modelling, diversification and stress testing. They will also discuss aspects related to the reporting requirements of the AB bankas „SNORAS“ Group.

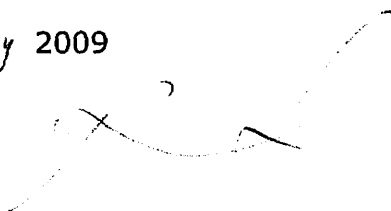
11. For the successful cross-border implementation of Pillar 2 the Authorities expect local bank management to be adequately involved and empowered to exercise their duties in relation to the ICAAP. However, the

Authorities will not require the AB bankas „SNORAS“ Group to develop stand-alone quantitative capital models for each foreign subsidiary, provided that, in the Authorities' view, the subsidiary's business and risks are taken into account in the Group's model and assumptions in a prudent and sound way. The assessment of capital adequacy for each foreign subsidiary of the AB bankas „SNORAS“ Group by the competent Host Authorities will not be different to that for local banks, but foreign subsidiaries may place greater reliance on global measurement and management tools in a manner appropriate and consistent with local market characteristics.

On behalf of the Finančsinspektsioon

Date:

23, May 2009



Paul Malmstein
Chairman of the Management Board

On behalf of the Finanšu un Kapitāla Tirgus Komisija

Date:

20 April 2009

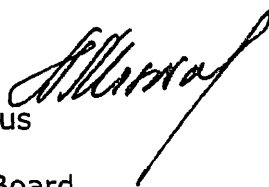


Ineta Krumane
Chairwoman

On behalf of the Bank of Lithuania

Date:

17 April 2009



Audrius Misevicius
Member of the Board



20.05.2009
K. Batraga